

**INDIANA TRANSPORTATION FINANCE AUTHORITY**  
**STATE OF INDIANA**  
**ANNUAL FINANCIAL STATEMENTS**  
June 30, 2005

INDIANA TRANSPORTATION FINANCE AUTHORITY  
STATE OF INDIANA  
FINANCIAL STATEMENTS  
June 30, 2005

CONTENTS

<b>REPORT OF INDEPENDENT AUDITORS .....</b>	<b>1</b>
<b>PART 1 - MANAGEMENT'S DISCUSSION AND ANALYSIS.....</b>	<b>3</b>
<b>PART 2 - BASIC FINANCIAL STATEMENTS .....</b>	<b>17</b>
STATEMENT OF NET ASSETS.....	18
STATEMENT OF ACTIVITIES.....	19
BALANCE SHEET - GOVERNMENTAL FUNDS.....	20
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS.....	21
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS .....	22
RECONCILIATION OF GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES.....	23
BALANCE SHEET - PROPRIETARY FUNDS .....	24
RECONCILIATION OF PROPRIETARY FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS.....	26
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - PROPRIETARY FUNDS .....	27
RECONCILIATION OF PROPRIETARY FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES.....	28
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS.....	29
NOTES TO FINANCIAL STATEMENTS .....	31
<b>PART 3 - REQUIRED SUPPLEMENTAL INFORMATION.....</b>	<b>62</b>
SCHEDULE OF ACTUAL OPERATING EXPENSES COMPARED TO BUDGET .....	63
<b>PART 4 - OTHER SUPPLEMENTAL INFORMATION.....</b>	<b>66</b>
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS .....	67



Crowe Chizek and Company LLC  
Member Horwath International

## REPORT OF INDEPENDENT AUDITORS

Members of the Indiana Transportation Finance Authority  
State of Indiana

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Indiana Transportation Finance Authority (Authority), as of and for the year ended June 30, 2005, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Guidelines for Audits of State and Local Governments by Authorized Independent Public Accountants*, issued by the Indiana State Board of Accounts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Authority, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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The accompanying required supplementary information, such as management's discussion and analysis on pages 3 through 16 and budgetary comparison information pages 60 through 62 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 26, 2005 on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing results of our audit.

*Crowe Chizek and Company LLC*

Crowe Chizek and Company LLC

Indianapolis, Indiana  
August 26, 2005

## **PART 1 - MANAGEMENT'S DISCUSSION AND ANALYSIS**

INDIANA TRANSPORTATION FINANCE AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2005

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**INTRODUCTION**

**Purpose, Programs:** The Indiana Transportation Finance Authority (the Authority) is established under Indiana Code (IC) 8-9.5-8-2. The Authority finances and refinances transportation and related projects and systems for (or for the benefit of) the State of Indiana, including:

- Toll roads under IC 8-15-2-10
- Projects comprising transportation systems under IC 8-14.5
- Aviation-related property and facilities under IC 8-21-12
- Toll bridges under IC 8-16-1

As a result, the Authority finances and refinances five largely separate programs, including highway and bridge projects situated throughout the State under the Authority's highway revenue bond program, the Indiana East-West Toll Road, the Indianapolis Maintenance Center at Indianapolis International Airport under the Authority's airport facilities program, the Aviation Technology Center at Indianapolis International under the Authority's aviation technology program, and the Wabash River Toll Bridge under the Authority's toll bridge program.

**Separate Reports:** Historically, the Authority provided separate annual reports for each of its programs and any related financings and refinancings (primarily lease revenue bonds). However, at the end of Fiscal Year 2003, the Office of the Auditor of State and the State Board of Accounts advised the Authority that GASB-14 (The Financial Reporting Entity) would require the Authority to combine the annual reports for Fiscal Years 2003 and thereafter.

**Organization - Annual Financial Statements:** The Authority's annual report includes the independent auditor's report and the financial section. The financial section is organized in four parts:

- Part 1 - Management's discussion and analysis (MD&A)
- Part 2 - Basic financial statements and notes to the financial statements
- Part 3 - Required supplemental information
- Part 4 - Other supplemental information

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(Continued)

INDIANA TRANSPORTATION FINANCE AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2005

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**Organization - MD&A:** This MD&A is an opportunity for management to make information about the Authority meaningful and understandable to the Authority's constituents, including Indiana's citizens and their representatives and the investors who buy and sell the Authority's revenue bonds. In addition to describing the Authority and its work, this MD&A briefly analyzes, discusses or presents:

- basic financial statements
- condensed financial information
- overall financial position and results of operations
- significant transactions within individual funds
- significant budget variations
- significant capital assets and long-term debt activity
- currently known facts

The annual financial statements are not a disclosure document, an offering memorandum, an official statement or prospectus for any revenue bond issued by the Authority, and no investor should rely upon it as such. The information contained in the annual financial statements is limited information. The information and any expression of opinion (other than the report of independent auditors) contained in the annual financial statements are subject to change. Such information and any opinion (other than the report of independent auditors) speak only as of their date.

## BACKGROUND

**Authority:** The Authority is a body both corporate and politic, and though separate from the State, the exercise by the Authority of its powers constitutes an essential governmental function. Indiana's constitution restricts State incurrence of debt. As a result, the General Assembly created the Authority and other bodies corporate and politic and authorized them to issue revenue bonds and other obligations to finance projects for lease to the State. When properly structured, such leases do not constitute State debt. Except as described elsewhere in this MD&A, lease rentals are payable solely from appropriations made by the General Assembly.

The Authority's revenue bonds and notes are special and limited obligations of the Authority, payable from lease rental revenue, bond or note proceeds and investment income. The Authority's revenue bonds are not general obligations of the Authority nor are they State debt within the meaning of any constitutional provision or limitation. The Authority cannot compel the General Assembly to make appropriations to pay lease rentals.

**Members:** The Authority is comprised of the Governor of the State or the Governor's designee, who serves as chairman; the Commissioner of the Indiana Department of Transportation (INDOT), who serves as secretary-treasurer; the Treasurer of State; the State Budget Director; and five members appointed by the Governor. No more than three of the Governor's appointees may be members of the same political party.

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INDIANA TRANSPORTATION FINANCE AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2005

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**Toll Road:** The Authority can trace its origins to the Indiana Toll Road Commission, which was organized in the early 1950's to construct and finance the Indiana East-West Toll Road. Although the Toll Road Commission was established by the General Assembly, the Commission both financed and operated the Toll Road and did so independently of INDOT. However, in the early 1980's, when the Toll Road was substantially reconstructed and refinanced, the General Assembly effectively separated financing activities and day-to-day operations. Today, the Authority owns the Toll Road, subject to a lease with INDOT (the Toll Road Lease). The Authority cannot compel the General Assembly to make appropriations to pay lease rentals.

The Authority's Toll Revenue Bonds (Toll Road Bonds) are payable from lease rentals INDOT is obligated to pay under the Toll Road Lease. The Authority expects that INDOT will pay those lease rentals from revenue from the Toll Road activity rather than appropriations made by the General Assembly; however, if such revenue is insufficient, INDOT and the Authority are obligated to seek State appropriations to pay the Toll Road Bonds.

INDOT operates the Toll Road through its Toll Road Division. Toll Road operations are not a part of the Authority's annual report. Only the Toll Road's Toll Road financing and refinancing activities are part of this report.

**Highway Revenue Bond Program:** In 1988, the General Assembly authorized the Authority (then the Indiana Toll Finance Authority) to issue revenue bonds to finance projects comprising transportation systems for lease to INDOT, including highways (or portions of highways) and bridges. The Authority expects that INDOT will pay lease rentals for such projects from certain gas tax revenue and fees appropriated from the General Assembly.

**Airport Facilities Program:** In 1991, the General Assembly authorized the Authority to finance aviation-related property and facilities. Under this authority, the Authority issued revenue bonds to finance and refinance the Authority's interest in the Indianapolis Maintenance Center (IMC). The City of Indianapolis and the Indianapolis Airport Authority (Airport Authority) also financed and refinanced interests in the IMC. The Authority's interest in the IMC is leased to the Airport Authority. The Airport Authority pays lease rentals for that interest from appropriations made by the General Assembly.

Until April 2003, the IMC was used by United Air Lines, Inc. (United Airlines) as a major aircraft maintenance center. In the course of its bankruptcy proceedings, United Airlines determined to close the IMC and some other maintenance facilities and outsource heavy maintenance operations. In June 2004, the Airport Authority entered into a lease with AAR CORP., a leading supplier of products and services to the world-wide aviation/aerospace industry, for the use of a portion of the IMC. The Authority continues to work with the City of Indianapolis and the Airport Authority to relet the IMC. The Authority expects that the Airport Authority will continue to pay lease rentals from appropriations made by the General Assembly. Owners of the Authority's revenue bonds related to the IMC are not at risk as a result of United Airlines' bankruptcy. AAR CORP. is in no way responsible for the payment of the Authority's revenue bonds related to the IMC.

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INDIANA TRANSPORTATION FINANCE AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2005

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**Aviation Technology Program:** Under its aviation-related property and facilities financing authority, the Authority also financed and refinanced the Aviation Technology Center (ATC) at Indianapolis International. Vincennes and Purdue universities use the ATC to provide post-secondary educational programs, including aviation maintenance programs. The ATC is leased to the Airport Authority for use by the universities. The Airport Authority pays lease rentals for the ATC from appropriations made by the General Assembly.

**Toll Bridge, Bridge Fund:** The Authority owns just one toll bridge, spanning the Wabash River, in Posey County, in extreme Southwestern Indiana (the Wabash River Toll Bridge). INDOT operates the Wabash River Toll Bridge. No revenue bonds related to the Wabash River Toll Bridge are outstanding.

As part of the Authority's toll bridge program, the Authority holds title to the Indiana Interstate Bridge Fund under IC 8-16-1-18. INDOT manages this fund for the Authority. In April 2005, the Authority authorized an expenditure of up to \$500,000 from the Interstate Bridge Fund to study an interstate bridge that legislators have proposed the Authority purchase. That study is underway. In the past, the Authority owned a number of toll bridges over the Ohio and Wabash rivers. As revenue bonds and other indebtedness related to the toll bridges were paid off, the bridges were transferred from the Authority to INDOT. At present, the Authority is not authorized to transfer the Wabash River Toll Bridge to INDOT. See Currently Known Facts section below.

### HIGHLIGHTS

**Financial Health:** The Authority finances and refinances transportation and related projects and systems for (or for the benefit of) the State of Indiana. As a result, management believes that the most important indicator of the Authority's financial health is whether or not the Authority receives sufficient lease rental revenue to pay debt service on the Authority's revenue bonds and meet its other obligations when due. In Fiscal Year 2005, as in Fiscal Year 2004 and all prior fiscal years since the Authority was established, the Authority received sufficient revenue to pay its debts and meet its other obligations.

In Fiscal Year 2005, the Authority:

- paid \$531 million of principal and interest on revenue bonds.
- issued \$498 million of Revenue Bonds to provide finance and refinance highway and airport facility projects.
- saw a \$29 million (30%) increase in revenue and an \$18 million (7%) increase in net assets.

Management understands that the Authority's revenue and net assets may increase or decrease in any particular fiscal year, but such increases and decreases primarily result from timing of receipts and expenditures, financings, including issuance of new revenue bond and note issues, and construction activities.

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INDIANA TRANSPORTATION FINANCE AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2005

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Although the Authority reports through a number of enterprise funds, the Authority is not a profit-making enterprise – the Authority exists to benefit the State through its ability to finance and refinance important State infrastructure needs – and not to grow revenue and net assets over time.

On May 15, 2005, the Indiana Transportation Finance Authority was merged into the Indiana Finance Authority along with the Indiana State Office Building Commission, the Indiana Development Finance Authority, the Indiana Recreational Development Commission, and the Indiana State Revolving Fund Programs. Each entity will have an independent audit as of June 30, 2005, but thereafter will be covered under the Indiana Finance Authority audit.

### BASIC FINANCIAL STATEMENTS

The basic financial statements include two kinds of statements that present different views of the Authority.

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Authority's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Authority, reporting the Authority's operations in more detail than the government-wide statements.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

**Government-wide Financial Statements** report information about the Authority as a whole using accounting methods similar to those used by private sector companies. The Statement of Net Assets includes all of the Authority's assets and liabilities. All of the current year's revenues and expenses are accounted for in Statement of Activities regardless of when cash is received or paid. Net assets, the difference between the Authority's assets and liabilities, are one way to measure the Authority's financial position. Over time, increases or decreases in net assets may serve as an indicator of whether the financial position of the Authority is improving or deteriorating. The government-wide financial statements of the Authority are divided into two categories:

- **Governmental Activities** include the Operating Account, Interstate Bridge Fund and Highway Revenue Bonds.
- **Business-type Activities** include the Aviation Technology Center Bonds, Airport Facilities Bonds, Toll Bridge Funds and the East-West Toll Road Project.

**Fund Financial Statements** provide more detailed information about the Authority's significant funds, not the Authority as a whole. The Authority uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. The Authority has two kinds of funds:

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INDIANA TRANSPORTATION FINANCE AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2005

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**Governmental Funds** report activities for the Authority and other State agencies that support the overall basic services. The Authority uses the following governmental funds:

**Operating Account** reports on the administrative functions of the Authority, which includes salary and benefits and other expenses that support the related financings and refinancing activities. During the year, the Authority was the fiscal agent for the State Wastewater and Drinking Water Revolving Fund (SRF) Programs and the Public Finance Office (PFO). The SRF and PFO programs are not controlled by the Authority.

**Interstate Bridge Fund** - The Interstate Bridge Fund is a capital project fund created by IC 8-16-1-18 for paying the cost of interstate bridges and improvements to such bridges. This fund is held by the Authority and managed by INDOT for the Authority.

**Proprietary Funds** report activities for which the Authority charges lease amounts or user fees to non-State agencies and customers. Enterprise funds track business type activities, while internal service funds report activities providing general support for the Authority's programs.

**Enterprise Funds**

**Aviation Technology Center Lease Revenue Bonds** report on the direct financing activities for airport or aviation related property or facilities referred to by the Authority as the Aviation Technology Center.

**Airport Facilities Lease Revenue Bonds** report on the direct financing activities for airport or aviation related property or facilities referred to by the Authority as the Indianapolis Maintenance Center (IMC).

**Toll Bridge Fund** is specified for accounting for the net assets and operations of the Wabash River Toll Bridge. The Authority has full control and approval responsibilities for the Toll Bridge. However, INDOT has responsibility for operation, maintenance and financial control and reporting for the Toll Bridge.

**Internal Service Funds**

**Highway Revenue Bond's** primary purpose is to finance construction of highway and bridge projects that are managed by INDOT. This fund reports on the direct financing activities and construction of such projects.

**Indiana East-West Toll Road Project (Toll Road Project)** is leased by the Authority to INDOT for financing and operating the Toll Road Project as governed by the lease agreement between the Authority and INDOT.

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INDIANA TRANSPORTATION FINANCE AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2005

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**CONDENSED FINANCIAL INFORMATION; OVERALL FINANCIAL POSITION AND  
RESULTS OF OPERATIONS AND SIGNIFICANT TRANSACTIONS  
WITHIN INDIVIDUAL FUNDS**

This section provides an overview of the overall financial position, results of operations and significant transactions within individual funds.

**Net Assets:** The following is condensed from the Statement of Net Assets:

**Indiana Transportation Finance Authority  
Condensed Statement of Net Assets (in millions of dollars)  
June 30, 2005**

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	<b><u>Governmental Activities</u></b>	<b><u>Business Activities</u></b>	<b><u>Total Activities</u></b>
<b>Assets</b>			
Cash and investments	\$ 174	\$ 12	\$ 186
Investment in direct financing leases	1,246	410	1,656
Interest in assets held by Toll Road Project	-	243	243
Other assets	<u>12</u>	<u>7</u>	<u>19</u>
<b>Total assets</b>	<b><u>\$ 1,432</u></b>	<b><u>\$ 672</u></b>	<b><u>\$ 2,104</u></b>
<b>Liabilities and net assets</b>			
Liabilities			
Accounts payable	\$ 15	\$ -	\$ 15
Interest payable	6	7	13
Revenue bonds payable	<u>1,385</u>	<u>413</u>	<u>1,798</u>
<b>Total liabilities</b>	<b>1,406</b>	<b>420</b>	<b>1,826</b>
<b>Net assets</b>			
Unrestricted	8	23	31
Invested in capital assets	-	83	83
Restricted	<u>18</u>	<u>146</u>	<u>164</u>
<b>Total net assets</b>	<b><u>26</u></b>	<b><u>252</u></b>	<b><u>278</u></b>
<b>Total liabilities and net assets</b>	<b><u>\$ 1,432</u></b>	<b><u>\$ 672</u></b>	<b><u>\$ 2,104</u></b>

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(Continued)

INDIANA TRANSPORTATION FINANCE AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2005

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The total net assets at June 30 were as follows:

	<u>2005</u>	<u>2004</u>
Assets	\$ 2,104	\$ 2,117
Liabilities	<u>1,826</u>	<u>1,857</u>
Net assets	<u>\$ 278</u>	<u>\$ 260</u>

The net assets of the Authority were \$278 million at June 30, 2005, which represents an \$18 million, or 7%, increase from the prior Fiscal Year net assets. Total assets decreased by \$13 million, while total liabilities decreased by \$31 million. These decreases in assets and liabilities are related to debt repayment.

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(Continued)

INDIANA TRANSPORTATION FINANCE AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2005

**Change in Net Assets:** The following is condensed from the Statement of Activities:

**Indiana Transportation Finance Authority**  
**Statement of Activities (in millions of dollars)**  
**June 30, 2005**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Activities</u>
<b>Revenues</b>			
Lease rental	\$ 81	\$ 27	\$ 108
Tolls	-	1	1
Other	<u>5</u>	<u>11</u>	<u>16</u>
<b>Total revenues</b>	86	39	125
<b>Expenses</b>			
Authority operations and other	3	1	4
Capital outlay reimbursements	4	-	4
Interest expense	<u>75</u>	<u>24</u>	<u>99</u>
	<u>82</u>	<u>25</u>	<u>107</u>
<b>Change in net assets</b>	4	14	18
<b>Net assets, beginning of year</b>	<u>22</u>	<u>238</u>	<u>260</u>
<b>Net assets, end of year</b>	<u><u>\$ 26</u></u>	<u><u>\$ 252</u></u>	<u><u>\$ 278</u></u>

	<u>2005</u>	<u>2004</u>
Revenues	\$ 125	\$ 96
Expenses	<u>107</u>	<u>97</u>
Change in net assets	<u><u>\$ 18</u></u>	<u><u>\$ (1)</u></u>

The increase in net assets was \$18 million for the Fiscal Year ended June 30, 2005, as compared to a decrease of net assets of \$1 million for the prior Fiscal Year. Revenue increased by \$29 million, which represents a 30% change from the prior Fiscal Year. Expenses increased by \$10 million, which represents a 10% change from the prior Fiscal Year. Lease rental revenue is established by the Authority by law to pay debt service and related costs and Authority operating expenses.

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INDIANA TRANSPORTATION FINANCE AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2005

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**SIGNIFICANT BUDGET VARIATIONS**

**Highway Revenue Bond, Airport Facilities and Aviation Technology Programs:** The Authority establishes budgets for these three programs on a biennial basis in accordance with State law and the related trust indentures. The Authority's budgets provide primarily for payment of debt service and related expenses and Authority operations.

The Authority's actual operating expenses for the Highway Revenue Bond, Aviation Technology and Airport Facilities Programs were less than budget expenses by \$111,000. Highway Revenue Bond expenses were \$84,000 lower than budget due to lower than expected trustee fees of \$40,000 and insurance expense of \$30,000. Aviation Technology expenses were \$11,000 under budget due to reduced insurance expense. The Airport Facilities Program expenses were \$16,000 below budget, also due to lower insurance expense.

**Toll Road:** The Authority establishes the financing budget for the Toll Road on a biennial basis in accordance with State Law and the related trust indenture. The Toll Road financing budget provides primarily for payment of debt service and related expenses and Authority operations. The Authority relies upon estimates made by INDOT as to revenue available to pay debt service and financing operations.

INDOT operates the Toll Road as a business enterprise, and the Toll Road is subject to national and regional economic factors and the cost of doing business as a toll road, including the cost of capital improvements.

In Fiscal Year 2005, INDOT reported that toll revenue was at its highest level historically, at \$88 million, which is a 3.5% increase from the prior Fiscal Year. Concession revenue at approximately \$7 million was unchanged from 2004 to 2005. General operating expenses increased by approximately \$3 million caused by higher toll collection and road operation expense.

**Toll Bridge:** INDOT manages the Wabash River Toll Bridge and its operations, including budgeting for such operations for the Authority.

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INDIANA TRANSPORTATION FINANCE AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2005

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**SIGNIFICANT CAPITAL ASSETS AND LONG TERM DEBT ACTIVITY**

**Analysis of Infrastructure Assets:** The primary infrastructure assets related to the Authority are within the East-West Toll Road Project and Highway Revenue Bonds. The nature of the direct financing lease activity between the Authority and INDOT means that the Authority does not own infrastructure assets related to the East-West Toll Road Project and the Highway Revenue Bonds. Instead, the Authority has an interest in direct financing lease assets on the Statement of Net Assets in the amount of \$1.7 billion. For such leases, the Authority is the lessor and INDOT is lessee.

INDOT maintains information about the assessment condition and condition level of the entire infrastructure under leases with the Authority.

**Capital Assets:** The only property and equipment used for Authority operations are bridge and buildings related to the Toll Bridge Fund, which have a cost basis of \$669,782 and accumulated depreciation of \$133,275.

The Authority's investment in direct financing leases is presented on the Statement of Net Assets at \$1.7 billion.

The Authority's interest in Toll Road Project assets are valued at \$243 million and represents assets less liabilities of the Toll Road Project. The asset value is impacted annually by the change in revenue over expenses of the Toll Road Project.

**Indiana Transportation Finance Authority**  
**Capital Assets (in millions of dollars)**  
**June 30, 2005**

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	<b><u>Governmental Activities</u></b>	<b><u>Business Activities</u></b>	<b><u>Total Activities</u></b>
<b>Capital Assets</b>			
Property, plant and equipment, net	\$ <u>          -</u>	\$ <u>          1</u>	\$ <u>          1</u>
Investment in direct financing leases:			
Aviation Technology Center	\$        -	\$        9	\$        9
Airport facilities	-	202	202
Highway revenue bonds	1,246	-	1,246
Indiana East-West Toll Road Project	-	199	199
Total	\$ <u>  1,246  </u>	\$ <u>     410  </u>	\$ <u>  1,656  </u>
Interest in assets held by Toll Road Project	\$ <u>          -</u>	\$ <u>     243  </u>	\$ <u>     243  </u>

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(Continued)



INDIANA TRANSPORTATION FINANCE AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2005

**Long Term Debt Activity:** Outstanding debt balances are presented as follows for governmental and business type activities:

**Governmental Activities:**

<u>Type</u>	<u>Balance July 1, 2004</u>	<u>Accretion/ Additions</u>	<u>Principal Reduction</u>	<u>Balance June 30, 2005</u>	<u>Amounts Due Within One Year</u>	<u>Amounts Due Thereafter</u>
Highway revenue bonds	<u>\$1,415,428,170</u>	<u>\$ 295,767,596</u>	<u>\$ 326,580,000</u>	<u>\$1,384,615,766</u>	<u>\$ 25,805,000</u>	<u>\$1,358,810,766</u>

**Business Type Activities:**

<u>Type</u>	<u>Balance July 1, 2004</u>	<u>Accretion/ Additions</u>	<u>Principal Reduction</u>	<u>Balance June 30, 2005</u>	<u>Amounts Due Within One Year</u>	<u>Amounts Due Thereafter</u>
Airport facilities	\$ 193,095,000	\$ 204,550,000	\$ 193,095,000	\$ 204,550,000	\$ -	\$ 204,550,000
Aviation Technology Center	9,830,000	-	545,000	9,285,000	560,000	8,725,000
Toll Road Project	<u>209,005,362</u>	<u>77,346</u>	<u>10,356,767</u>	<u>198,725,941</u>	<u>13,745,000</u>	<u>184,980,941</u>
Total	<u>\$ 411,930,362</u>	<u>\$ 204,627,346</u>	<u>\$ 203,996,767</u>	<u>\$ 412,560,941</u>	<u>\$ 14,305,000</u>	<u>\$ 398,255,941</u>

**Long Term Lease Activity:** Outstanding lease balances are presented as follows for governmental and business type activities:

**Governmental Activities:**

<u>Type</u>	<u>Balance July 1, 2004</u>	<u>Accretion/ Additions</u>	<u>Principal Reduction</u>	<u>Balance June 30, 2005</u>	<u>Amounts Due Within One Year</u>	<u>Amounts Due Thereafter</u>
Highway revenue bonds	<u>\$1,048,495,534</u>	<u>\$ 523,635,974</u>	<u>\$ 326,580,000</u>	<u>\$1,245,551,508</u>	<u>\$ 23,279,877</u>	<u>\$1,222,271,631</u>

**Business Type Activities:**

<u>Type</u>	<u>Balance July 1, 2004</u>	<u>Accretion/ Additions</u>	<u>Principal Reduction</u>	<u>Balance June 30, 2005</u>	<u>Amounts Due Within One Year</u>	<u>Amounts Due Thereafter</u>
Airport facilities	\$ 193,095,000	\$ 201,973,708	\$ 193,095,000	\$ 201,973,708	\$ -	\$ 201,973,708
Aviation Technology Center	9,830,000	-	545,000	9,285,000	560,000	8,725,000
Toll Road Project	<u>209,005,362</u>	<u>77,346</u>	<u>10,356,767</u>	<u>198,725,941</u>	<u>13,745,000</u>	<u>184,980,941</u>
Total	<u>\$ 411,930,362</u>	<u>\$ 202,051,054</u>	<u>\$ 203,996,767</u>	<u>\$ 409,984,649</u>	<u>\$ 14,305,000</u>	<u>\$ 395,679,649</u>

(Continued)

INDIANA TRANSPORTATION FINANCE AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2005

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**CURRENTLY KNOWN FACTS**

**Highway Revenue Bond, Airport Facilities and Aviation Technology Programs:** The General Assembly appropriated sufficient money to pay lease rentals on the projects financed under these programs through June 30, 2006 (that is, for Fiscal Years 2005 and 2006). The appropriations are expected to be funded from dedicated revenue (in the case of the Highway Revenue Bonds) and general operating revenue (in the case of the airport and aviation programs) received by the State during Fiscal Years 2005 and 2006.

The Authority is working with INDOT, the State's Department of Commerce, and the State Budget Agency to seek appropriations to pay lease obligations related to revenue bonds for these programs in Fiscal Years 2007 and 2008.

**Airport Facilities Program:** The Authority refinanced the revenue bonds related to the IMC. Savings resulting from the refinancing are being used to reduce lease rentals.

**Toll Road:** The Authority is working with INDOT on a refinancing and restructuring of certain of the Toll Road Bonds. The refinancing and restructuring is dependent upon market conditions and other factors.

**Toll Bridge and Interstate Bridge Fund:** INDOT has advised the Authority that the Wabash River Toll Bridge soon will be in need of substantial rehabilitation and repair at a cost in excess of available toll revenue and Indiana interstate bridge fund balances. The Authority is working with INDOT on options to fund or otherwise provide for the repair and rehabilitation.

## **PART 2 – BASIC FINANCIAL STATEMENTS**

INDIANA TRANSPORTATION FINANCE AUTHORITY  
STATEMENT OF NET ASSETS  
June 30, 2005

	Governmental Activities	Business Activities	Total Activities
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 167,431,458	\$ 11,758,137	\$ 179,189,595
Investments	6,217,078	-	6,217,078
Accounts receivable	49,232	-	49,232
Securities lending receivable	15,540	-	15,540
Securities lending collateral	6,250,000	-	6,250,000
Interest receivable	423,763	22,445	446,208
Lease income receivable	5,906,379	7,077,595	12,983,974
Investment in direct financing lease	-	14,305,000	14,305,000
Total current assets	<u>186,293,450</u>	<u>33,163,177</u>	<u>219,456,627</u>
Noncurrent assets			
Investment in direct financing lease	1,245,551,508	395,679,649	1,641,231,157
Interest in assets held by Toll Road Project	-	242,900,583	242,900,583
Property, plant and equipment	-	669,782	669,782
Accumulated depreciation	-	(136,541)	(136,541)
Total noncurrent assets	<u>1,245,551,508</u>	<u>639,113,473</u>	<u>1,884,664,981</u>
	<u>\$1,431,844,958</u>	<u>\$ 672,276,650</u>	<u>\$2,104,121,608</u>
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable/accrued expenses	\$ 9,345,477	\$ 36,161	\$ 9,381,638
Interest payable	5,906,379	7,077,595	12,983,974
Securities lending payable	15,540	-	15,540
Securities lending collateral	6,250,000	-	6,250,000
Revenue bonds payable - due within one year	<u>25,805,000</u>	<u>14,305,000</u>	<u>40,110,000</u>
Total current liabilities	47,322,396	21,418,756	68,741,152
Long-term liabilities			
Revenue bonds payable - due after one year	<u>1,358,810,766</u>	<u>398,255,941</u>	<u>1,757,066,707</u>
Total liabilities	1,406,133,162	419,674,697	1,825,807,859
Net assets			
Unrestricted	<u>7,629,182</u>	<u>23,444,068</u>	<u>31,073,250</u>
Invested in capital assets, net of related debt	<u>-</u>	<u>82,728,258</u>	<u>82,728,258</u>
Restricted			
Debt service	18,082,614	55,559,410	73,642,024
Transportation improvement	-	9,413,582	9,413,582
Maintenance	-	1,516	1,516
Construction	-	81,455,119	81,455,119
Total restricted	<u>18,082,614</u>	<u>146,429,627</u>	<u>164,512,241</u>
	<u>25,711,796</u>	<u>252,601,953</u>	<u>278,313,749</u>
	<u>\$1,431,844,958</u>	<u>\$ 672,276,650</u>	<u>\$2,104,121,608</u>

INDIANA TRANSPORTATION FINANCE AUTHORITY  
STATEMENT OF ACTIVITIES  
For the year ended June 30, 2005

		<u>Program Revenues</u>	<u>Net (Expense) Revenue and</u>		
		<u>Charges</u>	<u>Change in Net Assets</u>		
	<u>Expenses</u>	<u>for</u>	<u>Governmental</u>	<u>Business-</u>	<u>Total</u>
		<u>Services</u>	<u>Activities</u>	<u>Type</u>	
				<u>Activities</u>	
Governmental activities					
General government	\$ 582,572	\$ 570,907	\$ (11,665)	\$ -	\$ (11,665)
Transportation finance	81,999,208	80,568,060	(1,431,148)	-	(1,431,148)
Total governmental activities	<u>82,581,780</u>	<u>81,138,967</u>	<u>(1,442,813)</u>	<u>-</u>	<u>(1,442,813)</u>
Business-type activities					
Toll roads	15,382,629	27,092,419	-	11,709,790	11,709,790
Toll bridges	564,601	850,913	-	286,312	286,312
Transportation finance	<u>9,171,036</u>	<u>11,553,136</u>	<u>-</u>	<u>2,382,100</u>	<u>2,382,100</u>
	<u>25,118,266</u>	<u>39,496,468</u>	<u>-</u>	<u>14,378,202</u>	<u>14,378,202</u>
	<u>\$ 107,700,046</u>	<u>\$ 120,635,435</u>			
General activities					
Investment earnings			<u>4,806,976</u>	<u>128,782</u>	<u>4,935,758</u>
Total general revenues			<u>4,806,976</u>	<u>128,782</u>	<u>4,935,758</u>
Change in net assets			3,364,163	14,506,984	17,871,147
Net assets - beginning of year			<u>22,347,633</u>	<u>238,094,969</u>	<u>260,442,602</u>
<b>Net assets - end of year</b>			<u>\$ 25,711,796</u>	<u>\$ 252,601,953</u>	<u>\$ 278,313,749</u>

See accompanying notes to financial statements.

INDIANA TRANSPORTATION FINANCE AUTHORITY  
BALANCE SHEET - GOVERNMENTAL FUNDS  
June 30, 2005

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	<u>General Fund</u>	<u>Capital Project</u>	Total
	<u>Operating</u>	Interstate <u>Bridge</u>	Governmental <u>Funds</u>
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 470,359	\$ 178,237	\$ 648,596
Investments	-	6,217,078	6,217,078
Securities lending collateral	-	6,250,000	6,250,000
Securities lending receivable	-	15,540	15,540
Accounts receivable	49,232	-	49,232
Interest receivable	-	22,046	22,046
Total assets	<u>519,591</u>	<u>12,682,901</u>	<u>13,202,492</u>
 <b>LIABILITIES</b>			
Current liabilities			
Accounts payable/accrued expense	\$ 80,508	\$ -	\$ 80,508
Securities lending payable	-	15,540	15,540
Securities lending collateral	-	6,250,000	6,250,000
Total liabilities	80,508	6,265,540	6,346,048
 Fund balances			
Unreserved	<u>439,083</u>	<u>6,417,361</u>	<u>6,856,444</u>
 Total liabilities and fund balances	<u>\$ 519,591</u>	<u>\$ 12,862,901</u>	<u>\$ 13,202,492</u>

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See accompanying notes to financial statements.

INDIANA TRANSPORTATION FINANCE AUTHORITY  
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
June 30, 2005

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Total fund balances – governmental funds	\$ 6,856,444
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Amounts reported for governmental activities in the statement of net assets are different because:

Internal Service Funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the Internal Service Fund for Highway Revenue Bonds are included in governmental activities in the statement of net assets.

<u>18,855,352</u>
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Net assets of governmental type activities
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<u><u>\$ 25,711,796</u></u>
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See accompanying notes to financial statements.

INDIANA TRANSPORTATION FINANCE AUTHORITY  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - GOVERNMENTAL FUNDS  
For the year ended June 30, 2005

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	<u>General Fund</u>	<u>Capital Project</u>	Total
	<u>Operating</u>	Interstate <u>Bridge</u>	Governmental <u>Funds</u>
<b>Revenues</b>			
Operating revenue			
Operating lease rental revenue	\$ 570,907	\$ -	\$ 570,907
Total operating revenues	<u>570,907</u>	<u>-</u>	<u>570,907</u>
<b>Expenses</b>			
Operating expenses			
Authority operations	<u>582,572</u>	<u>-</u>	<u>582,572</u>
Total operating expenses	<u>582,572</u>	<u>-</u>	<u>582,572</u>
<b>Operating income (loss)</b>	(11,665)	-	(11,665)
<b>Nonoperating revenues (expenses)</b>			
Investment income (including securities lending earnings)	1,502	269,138	270,640
Investment expense	<u>-</u>	<u>(125,022)</u>	<u>(125,022)</u>
Total nonoperating revenues (expenses)	<u>1,502</u>	<u>144,116</u>	<u>145,618</u>
<b>Excess of revenues over expenses</b>	(10,163)	144,116	133,953
<b>Fund balance, beginning of year</b>	<u>449,246</u>	<u>6,273,245</u>	<u>6,722,491</u>
<b>Fund balance, end of year</b>	<u>\$ 439,083</u>	<u>\$ 6,417,361</u>	<u>\$ 6,856,444</u>

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See accompanying notes to financial statements.



INDIANA TRANSPORTATION FINANCE AUTHORITY  
RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
TO THE STATEMENT OF ACTIVITIES  
For the year ended June 30, 2005

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Net change in fund balances – governmental funds	\$ 133,953
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Amounts reported for governmental type activities in the statement of net assets are different because:

Internal Service Funds are used by management to charge the costs of certain activities to individual funds. The net revenues (expenses) of the Internal Service Funds for Highway Revenue Bonds are included in governmental activities in the statement of net assets.

3,230,210

Change in net assets of governmental type activities

\$ 3,364,163

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See accompanying notes to financial statements.

INDIANA TRANSPORTATION FINANCE AUTHORITY  
BALANCE SHEET - PROPRIETARY FUNDS  
June 30, 2005

	..... <u>Enterprise Funds</u> .....				..... <u>Internal Service Funds</u> .....		
	Aviation Technology <u>Center</u>	Airport Facilities	Toll Bridge	Total Enterprise <u>Funds</u>	Highway Revenue <u>Bonds</u>	East-West Toll Road <u>Project</u>	Total Internal Service <u>Funds</u>
<b>ASSETS</b>							
Current assets							
Cash and cash equivalents	\$ 445,248	\$ 6,235,252	\$ 5,077,637	\$ 11,758,137	\$ 166,782,862	\$ -	\$ 166,782,862
Interest receivable	222	22,223	-	22,445	401,717	-	401,717
Lease income receivable	136,498	297,954	-	434,452	5,906,379	6,643,143	12,549,522
Investment in direct financing lease	<u>560,000</u>	<u>-</u>	<u>-</u>	<u>560,000</u>	<u>23,279,877</u>	<u>13,745,000</u>	<u>37,024,877</u>
Total current assets	1,141,968	6,555,429	5,077,637	12,775,034	196,370,835	20,388,143	216,758,978
Noncurrent assets							
Investment in direct financing lease	8,725,000	201,973,708	-	210,698,708	1,222,271,631	184,980,941	1,407,252,572
Interest in assets held by Toll Road Project	-	-	-	-	-	242,900,583	242,900,583
Property, plant and equipment	-	-	669,782	669,782	-	-	-
Accumulated depreciation	<u>-</u>	<u>-</u>	<u>(136,541)</u>	<u>(136,541)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total noncurrent assets	<u>8,725,000</u>	<u>201,973,708</u>	<u>533,241</u>	<u>211,231,949</u>	<u>1,222,271,631</u>	<u>427,881,524</u>	<u>1,650,153,155</u>
Total assets	<u>\$ 9,866,968</u>	<u>\$ 208,529,137</u>	<u>\$ 5,610,878</u>	<u>\$ 224,006,983</u>	<u>\$1,418,642,466</u>	<u>\$ 448,269,667</u>	<u>\$ 1,866,912,133</u>

(Continued)

INDIANA TRANSPORTATION FINANCE AUTHORITY  
BALANCE SHEET - PROPRIETARY FUNDS  
June 30, 2005

	<u>Enterprise Funds</u>				<u>Internal Service Funds</u>		
	<u>Aviation Technology Center</u>	<u>Airport Facilities</u>	<u>Toll Bridge</u>	<u>Total Enterprise Funds</u>	<u>Highway Revenue Bonds</u>	<u>East-West Toll Road Project</u>	<u>Total Internal Service Funds</u>
<b>LIABILITIES</b>							
Current liabilities							
Accounts payable/accrued expenses	\$ 121	\$ 9,520	\$ 26,520	\$ 36,161	\$ 9,264,969	\$ -	\$ 9,264,969
Interest payable	136,498	297,954	-	434,452	5,906,379	6,643,143	12,549,522
Revenue bonds payable - due within one year	<u>560,000</u>	<u>-</u>	<u>-</u>	<u>560,000</u>	<u>25,805,000</u>	<u>13,745,000</u>	<u>39,550,000</u>
Total current liabilities	696,619	307,474		1,030,613	40,976,348	20,338,143	61,364,491
Long-term liabilities							
Revenue bonds payable - due after one year	<u>8,725,000</u>	<u>204,550,000</u>	<u>-</u>	<u>213,275,000</u>	<u>1,358,810,766</u>	<u>184,980,941</u>	<u>1,543,791,707</u>
Total long-term liabilities	<u>8,725,000</u>	<u>204,550,000</u>	<u>-</u>	<u>213,275,000</u>	<u>1,358,810,766</u>	<u>184,980,941</u>	<u>1,543,791,707</u>
Total liabilities	9,421,619	204,857,474	26,520	214,305,613	1,399,787,114	205,369,084	1,605,156,198
Net assets							
Unrestricted							
Unrestricted	443,833	1,077,594	5,051,117	6,572,544	772,738	16,871,524	17,644,262
Invested in capital assets							
Invested in capital assets, net of related debt	-	-	533,241	533,241	-	82,195,017	82,195,017
Restricted							
Debt service	-	2,594,069	-	2,594,069	18,082,614	52,965,341	71,047,955
Transportation improvement	-	-	-	-	-	9,413,582	9,413,582
Maintenance	1,516	-	-	1,516	-	-	-
Construction	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>81,455,119</u>	<u>81,455,119</u>
Total restricted	<u>1,516</u>	<u>2,594,069</u>	<u>-</u>	<u>2,595,585</u>	<u>18,082,614</u>	<u>143,834,042</u>	<u>161,916,656</u>
Total net assets	<u>445,349</u>	<u>3,671,663</u>	<u>5,584,358</u>	<u>9,701,370</u>	<u>18,855,352</u>	<u>242,900,583</u>	<u>261,755,935</u>
Total liabilities and net assets	<u>\$ 9,866,968</u>	<u>\$ 208,529,137</u>	<u>\$ 5,610,878</u>	<u>\$ 224,006,983</u>	<u>\$1,418,642,466</u>	<u>\$ 448,269,667</u>	<u>\$ 1,866,912,133</u>

See accompanying notes to financial statements.

INDIANA TRANSPORTATION FINANCE AUTHORITY  
RECONCILIATION OF PROPRIETARY FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
June 30, 2005

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Total fund balances – proprietary funds	\$ 271,457,305
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Amounts reported for business type activities in the statement of net assets are different because:	-
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Internal Service Funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the Internal Service Fund for Highway Revenue Bonds are included in governmental activities in the statement of net assets.	<u>(18,855,352)</u>
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Net assets of business type activities	<u><u>\$ 252,601,953</u></u>
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See accompanying notes to financial statements.

INDIANA TRANSPORTATION FINANCE AUTHORITY  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - PROPRIETARY FUNDS  
For the year June 30, 2005

	.....Enterprise Funds .....				.....Internal Service Funds .....		
	Aviation Technology Center	Airport Facilities	Toll Bridge	Total Enterprise Funds	Highway Revenue Bonds	East-West Toll Road Project	Total Internal Service Funds
<b>Revenues:</b>							
Operating revenue							
Lease rental income	\$ 717,263	\$ 10,835,873	\$ -	\$ 11,553,136	\$ 80,568,060	\$ 15,382,629	\$ 95,950,689
Tolls	-	-	850,913	850,913	-	-	-
Total operating revenue	717,263	10,835,873	850,913	12,404,049	80,568,060	15,382,629	95,950,689
<b>Expenses:</b>							
Operating expenses							
Authority operations	125,810	70,333	561,335	757,478	2,526,090	-	2,526,090
Capital outlay reimbursements	-	(105,349)	-	(105,349)	4,393,596	-	4,393,596
Cost of issuance	-	219,525	-	219,525	-	-	-
Depreciation expense	-	-	3,266	3,266	-	-	-
Total operating expenses	125,810	184,509	564,601	874,920	6,919,686	-	6,919,686
Operating income (loss)	591,453	10,651,364	286,312	11,529,129	73,648,374	15,382,629	89,031,003
Nonoperating revenues (expenses)							
Investment income	8,087	170,231	2,215	180,533	4,719,722	-	4,719,722
Investment fees	(1,836)	(49,915)	-	(51,751)	(58,364)	-	(58,364)
Interest expense	(547,263)	(8,313,454)	-	(8,860,717)	(75,079,522)	(15,382,629)	(90,462,151)
Change in assets held by ITFA - Toll Road Project	-	-	-	-	-	11,709,790	11,709,790
Total nonoperating revenues (expenses)	(541,012)	(8,193,138)	2,215	(8,731,935)	(70,418,164)	(3,672,839)	(74,091,003)
<b>Excess of revenues and other sources over (under) expenses and other uses</b>	50,441	2,458,226	288,527	2,797,194	3,230,210	11,709,790	14,940,000
Net assets at beginning of year	394,908	1,213,437	5,295,831	6,904,176	15,625,142	231,190,793	246,815,935
<b>Net assets at end of year</b>	<u>\$ 445,349</u>	<u>\$ 3,671,663</u>	<u>\$ 5,584,358</u>	<u>\$ 9,701,370</u>	<u>\$ 18,855,352</u>	<u>\$ 242,900,583</u>	<u>\$ 261,755,935</u>

(Continued)

INDIANA TRANSPORTATION FINANCE AUTHORITY  
RECONCILIATION OF PROPRIETARY FUNDS STATEMENT OF REVENUES,  
EXPENDITURES  
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
For the year June 30, 2005

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Net change in fund balances – proprietary funds	\$ 17,737,194
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Amounts reported for business type activities in the statement of net assets are different because:

Internal Service Funds are used by management to charge the costs of certain activities to individual funds. The net revenues (expenses) of the Internal Service Funds for Highway Revenue Bonds are included in governmental activities in the statement of net assets.

(3,230,210)

Change in net assets of business type activities.

\$ 14,506,984

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(Continued)

INDIANA TRANSPORTATION FINANCE AUTHORITY  
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
For the year June 30, 2005

	<u>Enterprise Funds</u>				<u>Internal Service Funds</u>		
	<u>Aviation Technology Center</u>	<u>Airport Facilities</u>	<u>Toll Bridge</u>	<u>Total Enterprise Funds</u>	<u>Highway Revenue Bonds</u>	<u>East-West Toll Road Project</u>	<u>Total Internal Service Funds</u>
<b>Cash flows from operating activities</b>							
Cash received from lease rental and tolls \$	719,479	\$ 12,343,428	\$ 850,913	\$ 13,913,820	\$ 80,591,303	\$ 12,994,528	\$ 93,585,831
Cash paid for salaries and benefits	-	-	(488,606)	(488,606)	-	-	-
Cash paid for general and administrative	(125,810)	20,946	(58,476)	(163,340)	(9,354,603)	-	(9,354,603)
Net cash provided (used) by operating activities	<u>593,669</u>	<u>12,364,374</u>	<u>303,831</u>	<u>13,261,874</u>	<u>71,236,700</u>	<u>12,994,528</u>	<u>84,231,228</u>
<b>Cash flows from capital and related financing activities</b>							
Proceeds from issuance of notes payable/bonds payable	-	6,217,262	-	6,217,262	334,008	-	334,008
Principal payments - bonds/notes	(545,000)	(193,095,000)	-	(193,640,000)	(326,580,000)	-	(326,580,000)
Capital lease principal receipts	545,000	193,095,000	-	193,640,000	326,580,000	-	326,580,000
Interest paid	(549,479)	(9,821,009)	-	(10,370,488)	(75,102,765)	(12,994,528)	(88,097,293)
Debt issuance expense	-	(1,270,408)	-	(1,270,408)	(255,016)	-	(255,016)
Acquisition of capital assets	-	(2,590,087)	-	(2,590,087)	(227,947,370)	-	(227,947,370)
Net cash provided (used) by capital and related financing activities	<u>(549,479)</u>	<u>(7,464,242)</u>	<u>-</u>	<u>(8,013,721)</u>	<u>(302,971,143)</u>	<u>(12,994,528)</u>	<u>(315,965,671)</u>
<b>Cash flows from investing activities</b>							
Interest income on investments	<u>6,251</u>	<u>98,912</u>	<u>2,215</u>	<u>107,378</u>	<u>4,487,740</u>	<u>-</u>	<u>4,487,740</u>
Net cash provided (used) by investing activities	<u>6,251</u>	<u>98,912</u>	<u>2,215</u>	<u>107,378</u>	<u>4,487,740</u>	<u>-</u>	<u>4,487,740</u>
Net increase (decrease) in cash and cash equivalents	50,441	4,999,044	306,046	5,355,531	(227,246,703)	-	(227,246,703)
Cash and cash equivalents at beginning of year	<u>394,807</u>	<u>1,236,208</u>	<u>4,771,591</u>	<u>6,402,606</u>	<u>394,029,565</u>	<u>-</u>	<u>394,029,565</u>
Cash and cash equivalents at end of year	<u>\$ 445,248</u>	<u>\$ 6,235,252</u>	<u>\$ 5,077,637</u>	<u>\$ 11,758,137</u>	<u>\$ 166,782,862</u>	<u>\$ -</u>	<u>\$ 166,782,862</u>

(Continued)

INDIANA TRANSPORTATION FINANCE AUTHORITY  
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
For the year June 30, 2005

	<u>Enterprise Funds</u>				<u>Internal Service Funds</u>		
	<u>Aviation Technology Center</u>	<u>Airport Facilities</u>	<u>Toll Bridge</u>	<u>Total Enterprise Funds</u>	<u>Highway Revenue Bonds</u>	<u>East-West Toll Road Project</u>	<u>Total Internal Service Funds</u>
Reconciliation of cash flows from operating activities							
Operating income (loss)	\$ 591,453	\$ 10,870,889	\$ 286,312	\$ 11,748,654	\$ 73,648,374	\$ 15,382,629	\$ 89,031,003
Adjustments to cash from operating activities							
Depreciation	-	-	3,266	3,266	-	-	-
Changes in assets and liabilities							
Accounts receivable	2,216	1,507,555	-	1,509,771	23,243	(2,388,101)	(2,364,858)
Accounts payable/accrued expenses	-	(14,070)	14,253	183	(2,434,917)	-	(2,434,917)
Net cash from operating activities	<u>\$ 593,669</u>	<u>\$ 12,364,374</u>	<u>\$ 303,831</u>	<u>\$ 13,261,874</u>	<u>\$ 71,236,700</u>	<u>\$ 12,994,528</u>	<u>\$ 84,231,228</u>

See accompanying notes to financial statements.



INDIANA TRANSPORTATION FINANCE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying financial statements of the Authority as of June 30, 2005, and for the Fiscal Year then ended, conform with accounting principles generally accepted in the United States of America as applied to governments. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles. The GASB's Codification of Governmental Accounting and Financial Reporting Standards document these principles. The Authority's significant accounting policies are as follows:

**Reporting Entity:** The Indiana Transportation Finance Authority (the Authority) is a body both corporate and politic, and though separate from the State of Indiana (the State), the exercise by the Authority of its powers constitutes an essential governmental function. The State constitution restricts incurrence of debt. As a result, the General Assembly created the Authority and other bodies corporate and politic and authorized them to issue revenue bonds and other obligations to finance projects for lease to the State. When properly structured, such leases do not constitute State debt. Except as described elsewhere in this report, lease rentals are payable solely from appropriations made by the General Assembly.

The Authority finances and refinances transportation and related projects and systems for (or for the benefit of) the State, including:

- Toll roads under IC 8-15-2-10
- Projects comprising transportation systems under IC 8-14.5
- Aviation-related property and facilities under IC 8-21-12
- Toll bridges under IC 8-16-1

*The Authority's revenue bonds and notes are special and limited obligations of the Authority, payable from lease rental revenue, bond and note proceeds and investment income. The Authority's revenue bonds and notes are not general obligations of the Authority nor are they State debt within the meaning of any constitutional provision or limitation. The Authority cannot compel the General Assembly to make appropriations to pay lease rentals.*

**Basis of Presentation:** The Statement of Net Assets and the Statement of Activities display information about the Authority. These statements include the financial activities of the overall government and eliminations have been made to minimize the double counting of interfund transfers. The Statement of Net Assets reports all financial and capital resources using the economic resources measurement focus and the accrual basis of accounting. The State presents the statement in a format that displays assets less liabilities equal net assets.

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(Continued)

INDIANA TRANSPORTATION FINANCE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Net assets are displayed in three components:

- The Invested in Capital Assets component consists of property or infrastructure that the Authority acquired.
- The Restricted Net Assets component represents net assets with constraints placed on their use that are either (i) externally imposed by creditors, grantors, contributors, laws or regulations of other governments, or (ii) imposed by law through constitutional provisions or enabling legislation.
- The Unrestricted Net Assets component consists of net assets that do not meet the definition of the preceding two components.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Authority's governmental activities. Direct expenses are those that are specifically associated with a program or function, and, as a result, are clearly identifiable to a particular program or function. Indirect expenses have not been allocated to the programs or functions reported in the Statement of Activities. Generally, the Authority does not incur expenses for which it has the option of first applying restricted or unrestricted resources for their payment.

Program revenue includes toll and lease rental income. Revenue that is not classified as program revenue includes all unrestricted investment income, the net increase (decrease) in fair value of investments and miscellaneous revenue. The fund financial statements provide information about the Authority's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. The funds maintained by the Authority are all governmental special revenue fund types. Each accounts for specific revenues that are legally restricted to expenditure for designated purposes.

The government-wide financial statements of the Authority are divided into two categories:

- **Governmental Activities** include the Operating Account, Interstate Bridge Fund and Highway Revenue Bonds.
- **Business-type activities** include the Aviation Technology Center Bonds, Airport Facilities Bonds, Toll Bridge Fund and Indiana East-West Toll Road Project.

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(Continued)

INDIANA TRANSPORTATION FINANCE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The fund financial statements of the Authority are divided into two categories:

**Governmental Funds**

**Operating Account** reports on the administrative functions of the Authority, which includes salary and benefits and other expenses that support the related bond financings and other development activities. During the Fiscal Year ending June 30, 2005, the Authority served as a fiscal agent for the State Wastewater and Drinking Water Revolving Fund (SRF) Programs and the Public Finance Office (PFO). Neither entity is controlled by the Authority.

**Interstate Bridge Fund** is a capital projects fund created to pay the cost of interstate bridges and improvements to such bridges. This fund is held by the Authority and managed by INDOT for the Authority.

**Proprietary Funds**

**Enterprise Funds:**

**Aviation Technology Center Lease Revenue Bonds** report on the direct financing activities for airport or aviation related property or facilities referred to by the Authority as the Aviation Technology Center.

**Airport Facilities Lease Revenue Bonds** report on the direct financing activities for airport or aviation related property or facilities referred to by the Authority as the Indianapolis Maintenance Center (IMC).

**Toll Bridge Fund** is specified for the purpose of accounting for the net assets and operations of the Wabash River Toll Bridge. By statute, the Authority controls the Toll Bridge. However, INDOT is responsible for operation, maintenance and financial control and reporting for the Toll Bridge.

**Internal Service Funds:**

**Highway Revenue Bonds** primary purpose is to finance construction of highway and bridge projects that are managed by INDOT. This fund reports on the direct financing activities and construction of such projects.

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(Continued)

INDIANA TRANSPORTATION FINANCE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Indiana East-West Toll Road Project (Toll Road Project)** is leased by the Authority to INDOT. Financing and operating the Toll Road Project is governed by the lease agreement between the Authority and INDOT.

The Toll Road is accounted for as a Project of the Authority and INDOT. The Authority and INDOT have specified responsibilities for the Project under the lease agreement. The Authority finances projects and leases them to INDOT. The accumulated excess of revenues over expenses, defined in prior financial statements as net assets, is owned by the Authority.

**Measurement Focus and Basis of Accounting:** The government-wide statements and the proprietary fund statements use the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Government-mandated nonexchange revenues and voluntary nonexchange revenues and certain grants and entitlements are recognized in the period when all applicable eligibility requirements have been met.

For the government-wide financial statements and proprietary fund statements, the Authority applies (a) all applicable FASB pronouncements issued before December 1, 1989, and (b) those issued after that date, provided they do not contradict GASB pronouncements.

Governmental funds are used to account for the government's general government activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting revenues are recognized when susceptible to accrual (that is, when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. For the Authority, "available" means collectible within one month of the Fiscal Year end. Expenditures are recorded when the related fund liability is incurred. The governmental funds recognize expenditures for these liabilities to the extent they have matured or will be liquidated with expendable financial resources.

**Fund Accounting Basis of Presentation:** The debt financing agreements of the Authority may require the use of specific subfunds and accounts to account for the activities within a specific bond issue or activity of the Authority. As a result, governmental and proprietary funds may have subfunds and accounts that are considered separate accounting entities. The operations of each fund are accounted for with a separate set of self-balancing accounts.

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(Continued)

INDIANA TRANSPORTATION FINANCE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The Authority uses the following subfund fund types:

General Funds: The Authority created general, expense and lease revenue funds pursuant to the applicable trust indenture. However, for financial statement purposes, the general, expense and lease revenue funds are combined into one fund labeled general fund. The general fund pays any expenses related to the costs of issuance and operating expenses incurred by the Authority for a particular bond issue and other project related expenses. The expense fund pays any costs related to the maintenance of any insurance on projects, fees, expenses of fiduciaries, or expenses for credit facility or reserve fund credit facility. The revenue fund is used to account for lease rental revenue that is restricted to payment of bonds.

Debt Service Funds: The debt service fund is used to account for the accumulation of resources for payment of bond principal and interest when due. In accordance with the applicable trust indenture, the debt service fund is made up of three accounts: principal, interest and reserve. The principal and interest accounts are used to pay principal and interest when due. The reserve account is used to assure that reserve requirements, if any, are met.

Replacement Reserve Funds: This fund is used to account for the Aviation Technology Center maintenance reserve fund.

Construction Funds: The construction fund is used to account for the acquisition and construction of highway projects. In accordance with the applicable trust indenture, the construction fund is made up of three accounts: construction, interest and clearing. Within the construction and interest accounts, subaccounts were created for each highway project. Construction subaccounts are used to pay for the costs of the construction of the individual highway projects financed by a particular bond issue. Interest subaccounts are used to pay the interest allocable to each project during the construction period. The clearing account receives any excess funds from the construction account, and the interest subaccount receives interest earnings on invested funds.

As of June 30, 2005, the Highway Revenue Bonds currently had construction contract commitments of \$147.9 million for projects financed with proceeds of the 2003A and 2004A Highway Revenue Bonds.

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(Continued)

INDIANA TRANSPORTATION FINANCE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Use of Estimates in Preparation of Financial Statements:** The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from estimates.

**Reclassification:** Certain prior Fiscal Year amounts have been reclassified to conform to the current Fiscal Year presentation.

**Cash and Cash Equivalents:** Cash and cash equivalents include deposits in financial institutions and short-term investments with original maturities of 60 days or less. Cash and short-term investments at the balance sheet date were insured entirely by the Federal Deposit Insurance Corporation or the Indiana Public Deposits Insurance Fund.

**NOTE 2 - CASH, CASH EQUIVALENTS, AND INVESTMENTS**

Indiana Code 5-13-9 authorizes the Authority to invest in deposit accounts issued or offered by a designated depository; securities backed by the full faith and credit of the United States Treasury; and repurchase agreements that are fully collateralized, as determined by the current market value computed on the day the agreement is effective, by interest-bearing obligations that are issued, fully insured or guaranteed by the United States or any U.S. government agency.

**Aviation Technology Center Lease Revenue Bonds** cash and cash equivalents for the Aviation Technology Center Lease Revenue Bonds, Series 2002, are held by The Bank of New York.

- **Investment Policy** - Investment guidelines are dictated by Indiana statute and related trust indentures.
- **Deposit Risk** - All cash and cash equivalents were invested in institutional money market funds that were not insured.
- **Credit Risk** - All cash and cash equivalents were in one institutional money market fund that had the following ratings:

Investment Type	Fair Value	S&P	Fitch	Moody's
Money Market Fund	\$445,248	AAAm	AAA	Aaa

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(Continued)

INDIANA TRANSPORTATION FINANCE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005

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**NOTE 2 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)**

- **Custodial Credit Risk** - Money market funds were uninsured and unregistered with securities held by a trustee in the Authority's name.
- **Concentration of Credit Risk** - 100% of funds were invested in one institutional money market fund.
- **Interest Rate Risk** - All investment maturities were less than 1 year.
- **Foreign Currency Risk** - All funds were United States denominated funds.

**Airport Facilities Lease Revenue Bonds** cash and cash equivalents for the Airport Facilities Lease Revenue Bonds are held by JP Morgan, as trustee for the bonds.

- **Investment Policy** - Invest guidelines are dictated by Indiana statute and related trust indentures.
- **Deposit Risk** - All cash and cash equivalents were invested in institutional money market funds that were not insured.
- **Credit Risk** - All cash and cash equivalents were in one institutional money market fund that had the following ratings:

<u>Investment Type</u>	<u>Fair Value</u>	<u>S&amp;P</u>	<u>Fitch</u>	<u>Moody's</u>
Money Market Fund	\$6,235,252	Unrated	AAA	Aaa

- **Custodial Credit Risk** - Money market funds were uninsured and unregistered with securities held by a trustee in the Authority's name.
- **Concentration of Credit Risk** - 100% of funds were invested in one institutional money market fund.
- **Interest Rate Risk** - All investment maturities were less than 1 year.
- **Foreign Currency Risk** - All funds were United States denominated funds.

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(Continued)

INDIANA TRANSPORTATION FINANCE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005

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**NOTE 2 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)**

**Highway Revenue Bonds** cash and cash equivalents for the Highway Revenue Bonds are held by JP Morgan, as trustee for the bonds.

- **Investment Policy** - Invest guidelines are dictated by Indiana statute and related trust indentures.
- **Deposit Risk** - All cash and cash equivalents were invested in institutional money market funds that were not insured.
- **Credit Risk** - All cash and cash equivalents were in one institutional money market fund that had the following ratings:

Investment Type	Fair Value	S&P	Fitch	Moody's
Money Market Fund	\$166,782,862	Unrated	AAA	Aaa

- **Custodial Credit Risk** - Money market funds were uninsured and unregistered with securities held by a trustee in the Authority's name.
- **Concentration of Credit Risk** - 100% of funds were invested in one institutional money market fund.
- **Interest Rate Risk** - All investment maturities were less than 1 year.
- **Foreign Currency Risk** - All funds were United States denominated funds.

**Operating Account** cash and cash equivalents for the Authority are held in an interest bearing checking account issued by JP Morgan Chase Bank, N.A. The account balance at the bank was insured by the Federal Deposit Insurance Corporation (FDIC) for \$100,000. The Authority's maximum risk was \$389,564 at June 30, 2005.

Cash Deposits (in thousands)	Total
Demand deposit account - carrying value	\$470,359
Demand deposit account - bank balance	\$489,564

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(Continued)



INDIANA TRANSPORTATION FINANCE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005

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**NOTE 2 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)**

**Toll Bridge Fund** - cash and cash equivalents are held by the Treasurer of State in a pool with other government entities and in on checking accounts with a local bank.

- **Investment Policy** - Invest guidelines are dictated by Indiana statute and Treasurer of State.
- **Deposit Risk** - Cash and cash equivalents included \$5,003,327 held in an investment pool by the Treasurer of State and a demand deposit account. The account balance at the bank was insured by the Federal Deposit Insurance Corporation (FDIC) for \$100,000. The Authority's maximum risk was \$0 at June 30, 2005.

Cash Deposits (in thousands)	Total
Demand deposit account - carrying value	\$74,309
Demand deposit account - bank balance	\$74,309

- **Credit Risk And Custodial Credit Risk** - The Fund has no credit risk other than exposure to the Treasurer of State pool.
- **Concentration of Credit Risk** - 100% of funds were invested in the State Treasurer pool.
- **Interest Rate Risk** - Not applicable.
- **Foreign Currency Risk** - All funds were United States denominated funds.

**The Interstate Bridge Fund** had investments in United States Treasury Bills held by the State Treasurer with a market value of \$6,217,078 at June 30, 2005 and cash held by the State Treasurer of \$178,237.

**Securities Lending:** The Authority is authorized by statute (IC 5-13-10.5) to accept as collateral safekeeping receipts for securities from: (1) a duly designated depository or (2) a financial institution located either in or out of Indiana, having physical custody of securities, with a combined capital and surplus of at least \$10 million, according to the last statement of condition filed by the financial institution with its governmental supervisory body. The Authority may not deposit aggregate funds in deposit accounts in any one designated depository in an amount aggregating at any one time more than 50 percent of the combined capital, surplus and undivided profits of that depository as determined by the last published statement.

Indiana Code 5-13-10.5-13 states that securities may be lent only if the agreement under which the securities are lent is collateralized by (1) cash or (2) interest bearing obligations that are issued by, fully insured by, or guaranteed by the United States, an agency of the United States government, a federal instrumentality, or a federal government sponsored enterprise; in excess of the total market value of the loaned securities.

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(Continued)

INDIANA TRANSPORTATION FINANCE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005

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**NOTE 2 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)**

Collateral securities and cash are initially pledged at 102 percent of the market value of the securities lent. The collateral securities cannot be pledged or sold by the Authority unless the borrower defaults, but cash collateral may be invested. Cash collateral is generally invested in securities of a longer term with the mismatch of maturities generally 0-15 days. The contracts with the Authority's custodians requires them to indemnify the funds if the borrowers fail to return the securities (and if the collateral is inadequate to replace the securities lent) or fail to pay the funds for income distributions by the securities' issuers while the securities are on loan.

At year-end, the Authority had no credit risk exposure to a borrowers because the amount the Authority owes the borrowers exceeds the amounts the borrowers owe the Authority.

**NOTE 3 - AIRPORT FACILITIES JOINT VENTURE**

To finance the construction of the Indianapolis Maintenance Center (IMC) at Indianapolis International Airport, the Authority, a City of Indianapolis/Marion County-related financing authority (the City) and the Indianapolis Airport Authority (the Airport Authority) entered into a number of agreements, including leases, providing for the acquisition, construction, equipping and financing of the IMC (collectively, the Joint Venture).

Under the Joint Venture, the Authority's undivided interest as a tenant in the IMC is determined in proportion to the money it contributes to the acquisition, construction and equipping of the IMC from proceeds of the Authority's revenue bonds issued to finance the IMC. The City's and the Airport Authority's undivided interests are established in the same way, but by reference to the amount of money they contribute to the IMC from their revenue bond proceeds.

The Authority leases its undivided interest in the IMC to the Airport Authority. Upon termination of that lease, the Airport Authority will succeed to the Authority's interest in the Joint Venture. The Airport Authority is obligated to pay the Authority lease rentals sufficient to pay the principal of and interest on the revenue bonds and additional rentals sufficient to pay Authority expenses and ground rent obligations. The Airport Authority expects to pay the lease rentals through appropriations made by the General Assembly.

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(Continued)

INDIANA TRANSPORTATION FINANCE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005

**NOTE 4 - CAPITAL LEASES**

The Authority's future minimum lease amounts receivable under capital leases are as follows for all activities:

<u>Year Ended</u>	<u>Total Principal</u>	<u>Interest Portion</u>	<u>Future Minimum Lease Receipts</u>
June 30, 2006	\$ 37,584,877	\$ 91,477,574	\$ 129,062,451
June 30, 2007	50,622,773	92,670,641	143,293,414
June 30, 2008	62,113,477	89,853,561	151,967,038
June 30, 2009	64,753,495	86,513,135	151,266,630
June 30, 2010	68,249,648	82,821,698	151,071,346
June 30, 2011 - June 30, 2015	394,752,464	349,158,109	743,910,573
June 30, 2016 - June 30, 2020	364,159,593	238,132,167	602,291,760
June 30, 2021 - June 30, 2025	328,092,451	148,895,123	476,987,574
June 30, 2026 - June 30, 2030	<u>327,555,673</u>	<u>46,980,042</u>	<u>374,535,715</u>
	1,697,884,451	1,226,502,050	2,924,386,501
Remaining accretion/premium to be amortized	<u>(42,348,294)</u>	<u>-</u>	<u>(42,348,294)</u>
	<u>\$ 1,655,536,157</u>	<u>\$1,226,502,050</u>	<u>\$ 2,882,038,207</u>

Changes in capital leases were as follows based on type of activity:

**Governmental Activities:**

<u>Type</u>	<u>Balance July 1, 2004</u>	<u>Accretion/ Additions</u>	<u>Principal Reduction</u>	<u>Balance June 30, 2005</u>	<u>Amounts Due Within One Year</u>	<u>Amounts Due Thereafter</u>
Highway revenue bonds	<u>\$1,048,495,534</u>	<u>\$ 523,635,974</u>	<u>\$ 326,580,000</u>	<u>\$1,245,551,508</u>	<u>\$ 23,279,877</u>	<u>\$1,222,271,631</u>

(Continued)

INDIANA TRANSPORTATION FINANCE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005

**NOTE 4 - CAPITAL LEASES (Continued)**

**Business Type Activities:**

<u>Type</u>	<u>Balance July 1, 2004</u>	<u>Accretion/ Additions</u>	<u>Principal Reduction</u>	<u>Balance June 30, 2005</u>	<u>Amounts Due Within One Year</u>	<u>Amounts Due Thereafter</u>
Airport facilities	\$ 193,095,000	\$ 201,973,708	\$ 193,095,000	\$ 201,973,708	\$ -	\$ 201,973,708
Aviation Technology Center	9,830,000	-	545,000	9,285,000	560,000	8,725,000
Toll Road Project	<u>209,005,362</u>	<u>77,346</u>	<u>10,356,767</u>	<u>198,725,941</u>	<u>13,745,000</u>	<u>184,980,941</u>
Total	<u>\$ 411,930,362</u>	<u>\$ 202,051,054</u>	<u>\$ 203,996,767</u>	<u>\$ 409,984,649</u>	<u>\$ 14,305,000</u>	<u>\$ 395,679,649</u>

Capital lease interest rates are structured based on the related bonds principal and interest schedules that are reflected in Note 5 of the financial statements for each bond issue.

The following is a summary of capital leases outstanding at June 30, 2005, for each fund with the activity categories:

**Governmental Type Activities:** The portion of capital leases attributable to governmental type activities are as follows:

<u>Year Ended</u>	<u>Total Principal</u>	<u>Interest Portion</u>	<u>Future Minimum Lease Receipts</u>
June 30, 2006	\$ 23,279,877	\$ 70,688,821	\$ 93,968,698
June 30, 2007	31,593,152	69,562,664	101,155,816
June 30, 2008	32,995,989	67,977,553	100,973,542
June 30, 2009	34,078,565	66,396,676	100,475,241
June 30, 2010	36,112,904	64,463,172	100,576,076
June 30, 2011 - June 30, 2015	208,702,452	287,421,851	496,124,303
June 30, 2016 - June 30, 2020	259,664,679	225,426,337	485,091,016
June 30, 2021 - June 30, 2025	328,092,451	148,895,123	476,987,574
June 30, 2026 - June 30, 2030	<u>327,555,674</u>	<u>46,980,042</u>	<u>374,535,716</u>
	1,282,075,743	1,047,812,239	2,329,887,982
Remaining accretion/premium to be amortized	<u>(36,524,235)</u>	<u>-</u>	<u>(36,524,235)</u>
	<u>\$ 1,245,551,508</u>	<u>\$1,047,812,239</u>	<u>\$ 2,293,363,747</u>

(Continued)

INDIANA TRANSPORTATION FINANCE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005

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**NOTE 4 - CAPITAL LEASES (Continued)**

The following proprietary fund has governmental type lease activities shown above:

**Highway Revenue Bonds**

The Authority issues its highway revenue bonds to finance and refinance highway and bridge projects, as follows:

- INDOT leases right-of-way and other property on which a highway or bridge project is to be situated to the Authority under a ground lease agreement and supplement for the particular project.
- INDOT constructs the project for the Authority under a construction agreement and supplement for the particular project.
- Once constructed, Authority leases the project to INDOT under a master lease agreement and supplement for the particular project.

Lease payments made by INDOT under the master lease and supplements are used to pay debt service on the highway revenue bonds when due.

Under the construction and other agreement and supplements for the highway and bridge projects, the Authority reimburses INDOT for construction and design costs incurred by INDOT. Costs not yet reimbursed are recorded in the construction fund as accrued expenses. \$211.1 million of construction and design costs were recognized as additions to capital leases and capital outlay reimbursements to INDOT during Fiscal Year 2005.

**Business Type Activities:** The portion of capital leases attributable to all business type activities are as follows:

<u>Year Ended</u>	<u>Total Principal</u>	<u>Interest Portion</u>	<u>Future Minimum Lease Receipts</u>
June 30, 2006	\$ 14,305,000	\$ 20,788,753	\$ 35,093,753
June 30, 2007	19,029,620	23,107,977	42,137,597
June 30, 2008	29,117,487	21,876,008	50,993,495
June 30, 2009	30,674,931	20,116,459	50,791,390
June 30, 2010	32,136,744	18,358,526	50,495,270
June 30, 2011 – June 30, 2015	186,050,012	61,736,258	247,786,270
June 30, 2016 – June 30, 2019	<u>104,494,914</u>	<u>12,705,830</u>	<u>117,200,744</u>
	415,808,708	178,689,811	594,498,519
Remaining accretion/premium to be amortized	<u>(5,824,059)</u>	<u>-</u>	<u>(5,824,059)</u>
	<u>\$ 409,984,649</u>	<u>\$ 178,689,811</u>	<u>\$ 588,674,460</u>

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(Continued)

INDIANA TRANSPORTATION FINANCE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005

**NOTE 4 - CAPITAL LEASES (Continued)**

The following proprietary funds have business type lease activities:

**Airport Facilities**

Airport Facilities lease activity is as follows:

<u>Year Ended</u>	<u>Total Principal</u>	<u>Interest Portion</u>	<u>Future Minimum Lease Receipts</u>
June 30, 2006	\$ -	\$ 9,057,276	\$ 9,057,276
June 30, 2007	3,949,620	12,273,000	16,222,620
June 30, 2008	13,132,487	12,033,000	25,165,487
June 30, 2009	13,724,931	11,235,000	24,959,931
June 30, 2010	14,366,744	10,401,000	24,767,744
June 30, 2011 – June 30, 2015	81,140,012	38,134,500	119,274,512
June 30, 2016 – June 30, 2019	<u>75,659,914</u>	<u>11,689,500</u>	<u>87,349,414</u>
	<u>\$ 201,973,708</u>	<u>\$ 104,823,276</u>	<u>\$ 306,796,984</u>

See Note 3 (Airport Facilities Joint Venture)

**Aviation Technology Center**

Aviation Technology Center lease activity is as follows:

<u>Year Ended</u>	<u>Total Principal</u>	<u>Interest Portion</u>	<u>Future Minimum Lease Receipts</u>
June 30, 2006	\$ 560,000	\$ 395,495	\$ 955,495
June 30, 2007	575,000	377,614	952,614
June 30, 2008	595,000	357,233	952,233
June 30, 2009	620,000	334,728	954,728
June 30, 2010	640,000	310,032	950,032
June 30, 2011 – June 30, 2015	3,660,000	1,109,595	4,769,595
June 30, 2016 – June 30, 2019	<u>2,635,000</u>	<u>230,330</u>	<u>2,865,330</u>
	<u>\$ 9,285,000</u>	<u>\$ 3,115,027</u>	<u>\$ 12,400,027</u>

(Continued)

INDIANA TRANSPORTATION FINANCE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005

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**NOTE 4 - CAPITAL LEASES (Continued)**

The Aviation Technology Center Lease Revenue Bonds were issued to finance and refinance an aviation technology education center at the Indianapolis International Airport. The center is used by Vincennes and Purdue universities to provide a variety of aviation-related post secondary education programs. The Authority leases the center to the Airport Authority under a lease agreement. The Airport Authority is obligated to pay to the Authority lease rentals sufficient to pay the principal of and interest on the revenue bonds and additional rentals sufficient to pay Authority expenses and ground rent obligations. The Airport Authority expects to pay the lease rentals through appropriations made by the General Assembly. The Airport Authority is not obligated to use any other revenue to pay such lease rentals. The Authority leases the ground on which the center is situated from the Airport Authority under a ground lease agreement. Upon termination of the ground lease agreement, the center will become property of the Airport Authority.

**Toll Road Project** lease activity is as follows:

<u>Year Ended</u>	<u>Total Principal</u>	<u>Interest Portion</u>	<u>Future Minimum Lease Receipts</u>
June 30, 2006	\$ 13,745,000	\$ 11,335,982	\$ 25,080,982
June 30, 2007	14,505,000	10,457,363	24,962,363
June 30, 2008	15,390,000	9,485,775	24,875,775
June 30, 2009	16,330,000	8,546,731	24,876,731
June 30, 2010	17,130,000	7,647,494	24,777,494
June 30, 2011 – June 30, 2015	101,250,000	22,492,163	123,742,163
June 30, 2016	<u>26,200,000</u>	<u>786,000</u>	<u>26,986,000</u>
	204,550,000	70,751,508	275,301,508
Remaining accretion/premium to be amortized	<u>(5,824,059)</u>	<u>-</u>	<u>(5,824,059)</u>
	<u>\$ 198,725,941</u>	<u>\$ 70,751,508</u>	<u>\$ 269,477,449</u>

The Authority leases the Toll Road Project to INDOT under a lease agreement, which requires INDOT to operate and maintain the Toll Road Project in an efficient and economical matter. INDOT is obligated to collect tolls and other revenue sufficient to pay operating expenses, major (capital) expenses and debt service on the Toll Road Bonds. After paying such expenses and debt service, excess revenue is payable to Authority as additional rent. Additional rent may be used to fund capital improvements to the Toll Road Project and for other purposes permitted under the lease agreement and the trust indenture for the Toll Road Bonds.

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(Continued)

INDIANA TRANSPORTATION FINANCE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005

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**NOTE 4 - CAPITAL LEASES (Continued)**

Toll Road Project operating revenue collected by INDOT and related operating and other expenses are held and administered under a lease trust agreement among the Authority, INDOT and KeyBank National Association, as trustee. All other Toll Road Project funds are held and administered under the trust indenture for the Toll Road Bonds. U.S. Bank National Association is trustee under that trust indenture. (On June 30, 2004, National City Bank, formerly known as Merchants National Bank & Trust Company of Indianapolis, the trustee for the Toll Road Bonds, sold substantially all of the assets of its bond administration business to U.S. Bank National Association.)

**NOTE 5 - LONG TERM DEBT ACTIVITY**

During the Fiscal Year ended June 30, 2005, the debt service requirements for bonds payable under governmental and business activities were as follows:

<u>Year Ended</u>	<u>Total Principal</u>	<u>Total Interest</u>	<u>Total Net Debt Service</u>
June 30, 2006	\$ 40,110,000	\$ 91,477,574	\$ 131,587,574
June 30, 2007	54,100,000	92,670,641	146,770,641
June 30, 2008	65,860,000	89,853,561	155,713,561
June 30, 2009	68,625,000	86,513,135	155,138,135
June 30, 2010	72,350,000	82,821,698	155,171,698
June 30, 2011 - June 30, 2015	418,425,000	349,158,109	767,583,109
June 30, 2016 - June 30, 2020	393,290,001	238,132,167	631,422,168
June 30, 2021 - June 30, 2025	363,680,000	148,895,123	512,575,123
June 30, 2026 - June 30, 2030	<u>363,085,000</u>	<u>46,980,042</u>	<u>410,065,042</u>
	1,839,525,001	1,226,502,050	3,066,027,051
Remaining accretion/premium to be amortized	<u>(42,348,294)</u>	<u>-</u>	<u>(42,348,294)</u>
	<u>\$ 1,797,176,707</u>	<u>\$1,226,502,050</u>	<u>\$ 3,023,678,757</u>

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(Continued)



INDIANA TRANSPORTATION FINANCE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005

**NOTE 5 - LONG TERM DEBT ACTIVITY (Continued)**

Changes in long-term debt were as follows based on type of activity:

**Governmental Type Activities:**

Type	Balance July 1, 2004	Accretion/ Additions	Principal Reduction	Balance June 30, 2005	Amounts Due Within One Year	Amount Due Thereafter
Highway Revenue Bonds						
Series 1990A	\$ 37,383,462	\$ 324,209	\$ 4,125,000	\$ 33,582,671	\$ 2,230,000	\$ 31,352,671
Series 1992A	35,285,000	-	-	35,285,000	-	35,285,000
Series 1993A	140,084,708	2,018,387	8,065,000	134,038,095	7,230,000	126,808,095
Series 1996B	20,390,000	-	2,975,000	17,415,000	3,120,000	14,295,000
Series 1998A	165,615,000	-	45,520,000	120,095,000	4,410,000	115,685,000
Series 2000	264,535,000	-	161,680,000	102,855,000	-	102,855,000
Series 2003A	431,585,000	-	104,215,000	327,370,000	8,815,000	318,555,000
Series 2004A	320,550,000	-	-	320,550,000	-	320,550,000
Series 2004B	-	147,345,000	-	147,345,000	-	147,345,000
Series 2004C	-	146,080,000	-	146,080,000	-	146,080,000
	<u>\$ 1,415,428,170</u>	<u>\$ 295,767,596</u>	<u>\$ 326,580,000</u>	<u>\$ 1,384,615,766</u>	<u>\$ 25,805,000</u>	<u>\$ 1,358,810,766</u>

**Business Type Activities:**

Type	Balance July 1, 2004	Accretion/ Additions	Principal Reduction	Balance June 30, 2005	Amounts Due Within One Year	Amount Due Thereafter
Airport Facilities						
Series 1992A	\$ 33,015,000	\$ -	\$ 33,015,000	\$ -	\$ -	\$ -
Series 1995A	24,665,000	-	24,665,000	-	-	-
Series 1996A	135,415,000	-	135,415,000	-	-	-
Series 2004A	-	56,025,000	-	56,025,000	-	56,025,000
Series 2004B	-	79,825,000	-	79,825,000	-	79,825,000
Series 2004C	-	68,700,000	-	68,700,000	-	68,700,000
	<u>193,095,000</u>	<u>204,550,000</u>	<u>193,095,000</u>	<u>204,550,000</u>	<u>-</u>	<u>204,550,000</u>
Aviation Technology Center						
Series 2002	9,830,000	-	545,000	9,285,000	560,000	8,725,000
Toll Road Project						
Series 1985	26,200,000	-	-	26,200,000	-	26,200,000
Series 1987	43,191,361	77,346	-	43,268,707	-	43,268,707
Series 1993	17,980,687	-	8,714,750	9,265,937	10,535,000	(1,269,063)
Series 1996	121,633,314	-	1,642,017	119,991,297	3,210,000	116,781,297
	<u>209,005,362</u>	<u>77,346</u>	<u>10,356,767</u>	<u>198,725,941</u>	<u>13,745,000</u>	<u>184,980,941</u>
	<u>\$ 411,930,362</u>	<u>\$ 204,627,346</u>	<u>\$ 203,996,767</u>	<u>\$ 412,560,941</u>	<u>\$ 14,305,000</u>	<u>\$ 398,255,941</u>

(Continued)

INDIANA TRANSPORTATION FINANCE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005

**NOTE 5 - LONG TERM DEBT ACTIVITY (Continued)**

The following is a summary of long-term debt outstanding at June 30, 2005, for each fund with the activity categories:

**Governmental Activities:**

	<u>Interest Rates Range</u>	<u>Maturity Range</u>	<u>Annual Principal Payment Range</u>	<u>Amount</u>
Highway Revenue Bonds	2.00% - 7.40%	2006-2029	<u>\$25,805,000 - \$97,460,000</u>	<u>\$ 1,421,140,001</u>

Highway revenue bond payables include accretion of principal on Series 1993A capital appreciation bonds with original issued par amounts of \$16,056,298 and maturity values totaling \$69,885,000 due from December 1, 2015, through June 1, 2018. In addition, balances include accretion of principal on Series 1990A capital appreciation bonds with original issued par amounts of \$4,765,877 and maturity values totaling \$14,465,000 due through June 1, 2008.

<u>Year Ended</u>	<u>Total Principal</u>	<u>Total Interest</u>	<u>Total Net Debt Service</u>
June 30, 2006	\$ 25,805,000	\$ 70,688,821	\$ 96,493,821
June 30, 2007	35,020,000	69,562,664	104,582,664
June 30, 2008	36,575,000	67,977,553	104,552,553
June 30, 2009	37,775,000	66,396,676	104,171,676
June 30, 2010	40,030,000	64,463,172	104,493,172
June 30, 2011 - June 30, 2015	231,340,000	287,421,851	518,761,851
June 30, 2016 - June 30, 2020	287,830,001	225,426,337	513,256,338
June 30, 2021 - June 30, 2025	363,680,000	148,895,123	512,575,123
June 30, 2026 - June 30, 2030	<u>363,085,000</u>	<u>46,980,042</u>	<u>410,065,042</u>
	1,421,140,001	1,047,812,239	2,468,952,240
Remaining accretion/premium to be amortized	<u>(36,524,235)</u>	<u>-</u>	<u>(36,524,235)</u>
	<u>\$ 1,384,615,766</u>	<u>\$1,047,812,239</u>	<u>\$ 2,432,428,005</u>

(Continued)

INDIANA TRANSPORTATION FINANCE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005

**NOTE 5 - LONG TERM DEBT ACTIVITY (Continued)**

The debt service requirements for highway revenue bonds are as follows:

	<u>Series 1990A</u>	<u>Series 1992A</u>	<u>Series 1993A</u>	<u>Series 1996B</u>	<u>Series 1998A</u>	<u>Series 2000</u>	<u>Series 2003A</u>	<u>Series 2004A</u>	<u>Series 2004B</u>	<u>Series 2004C</u>	<u>Total</u>
Principle:											
June 30, 2006	\$ 2,230,000	\$ -	\$ 7,230,000	\$ 3,120,000	\$ 4,410,000	\$ -	\$ 8,815,000	\$ -	\$ -	-	\$ 25,805,000
June 30, 2007	2,070,000	-	7,610,000	3,310,000	10,985,000	-	11,045,000	-	-	-	35,020,000
June 30, 2008	1,915,000	-	8,040,000	3,485,000	11,670,000	-	11,645,000	-	-	-	36,575,000
June 30, 2009	1,465,000	-	8,415,000	3,665,000	12,405,000	-	11,825,000	-	-	-	37,775,000
June 30, 2010	1,775,000	-	8,905,000	3,835,000	11,935,000	-	12,295,000	-	-	1,285,000	40,030,000
2011 - 2015	24,695,000	23,490,000	59,910,000	-	12,600,000	10,200,000	45,175,000	-	15,570,000	39,700,000	231,430,000
2016 - 2020	-	11,795,000	69,885,001	-	29,540,000	6,035,000	22,080,000	22,490,000	96,495,000	29,510,000	287,830,001
2021 - 2025	-	-	-	-	26,550,000	56,180,000	118,435,000	63,895,000	35,280,000	63,340,000	363,680,000
2026 - 2030	-	-	-	-	-	30,440,000	86,235,000	234,165,000	-	12,245,000	363,085,000
	<u>34,150,000</u>	<u>35,285,000</u>	<u>169,995,001</u>	<u>17,415,000</u>	<u>120,095,000</u>	<u>102,855,000</u>	<u>327,370,000</u>	<u>320,550,000</u>	<u>147,345,000</u>	<u>146,080,000</u>	<u>1,421,140,001</u>
Less remaining accretion/ premium	<u>(567,329)</u>	<u>-</u>	<u>(35,956,906)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(36,524,235)</u>
	<u>\$ 33,582,671</u>	<u>\$35,285,000</u>	<u>\$ 134,038,095</u>	<u>\$ 17,415,000</u>	<u>\$ 120,095,000</u>	<u>\$ 102,855,000</u>	<u>\$327,370,000</u>	<u>\$ 320,550,000</u>	<u>\$147,345,000</u>	<u>\$146,080,000</u>	<u>\$1,384,615,766</u>
Interest:											
June 30, 2006	\$ 2,025,288	\$ 2,399,380	\$ 5,378,425	\$ 841,450	\$ 6,181,803	\$ 5,557,400	\$ 15,501,809	\$ 16,752,103	\$ 8,192,175	7,858,988	\$ 70,688,821
June 30, 2007	2,025,288	2,399,380	4,998,850	648,550	5,804,422	5,557,400	15,325,509	16,752,103	8,192,175	7,858,987	69,562,664
June 30, 2008	2,025,288	2,399,380	4,580,300	462,125	5,233,123	5,557,400	14,916,671	16,752,103	8,192,175	7,858,988	67,977,553
June 30, 2009	2,025,288	2,399,380	4,158,200	283,375	4,614,072	5,557,400	14,555,696	16,752,103	8,192,175	7,858,987	66,396,676
June 30, 2010	1,919,075	2,399,380	3,716,412	95,875	3,951,744	5,557,400	14,052,146	16,752,102	8,192,175	7,826,863	64,463,172
2011 - 2015	6,030,549	8,212,360	10,165,500	-	15,215,500	27,124,849	61,513,796	83,760,510	40,532,700	34,866,087	287,421,851
2016 - 2020	-	815,490	-	-	12,003,150	23,575,969	56,360,885	83,055,981	24,387,862	25,227,000	225,426,337
2021 - 2025	-	-	-	-	2,242,075	20,300,031	39,902,750	71,511,811	3,635,150	11,303,306	148,895,123
2026 - 2030	-	-	-	-	-	818,075	8,763,750	37,061,479	-	336,738	46,980,042
	<u>16,050,776</u>	<u>21,024,750</u>	<u>32,997,687</u>	<u>2,331,375</u>	<u>55,245,889</u>	<u>99,605,924</u>	<u>240,893,012</u>	<u>359,150,295</u>	<u>109,516,587</u>	<u>110,995,944</u>	<u>1,047,812,239</u>

(Continued)

INDIANA TRANSPORTATION FINANCE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005

**NOTE 5 - LONG TERM DEBT ACTIVITY (Continued)**

	Series <u>1990A</u>	Series <u>1992A</u>	Series <u>1993A</u>	Series <u>1996B</u>	Series <u>1998A</u>	Series <u>2000</u>	Series <u>2003A</u>	Series <u>2004B</u>	Series <u>2004C</u>	<u>Total</u>	
Total Debt Service:											
June 30, 2006	\$ 4,255,288	\$ 2,399,380	\$ 12,608,425	\$ 3,961,450	\$ 10,591,803	\$ 5,557,400	\$ 24,316,809	\$ 16,752,103	\$ 8,192,175	\$ 7,858,988	\$ 96,493,821
June 30, 2007	4,095,288	2,399,380	12,608,850	3,958,550	16,789,422	5,557,400	26,370,509	16,752,103	8,192,175	7,858,987	104,582,664
June 30, 2008	3,940,288	2,399,380	12,620,300	3,947,125	16,903,123	5,557,400	26,381,671	16,752,103	8,192,175	7,858,988	104,552,553
June 30, 2009	3,490,288	2,399,380	12,573,200	3,948,375	17,019,072	5,557,400	26,380,696	16,752,103	8,192,175	7,858,987	104,171,676
June 30, 2010	3,694,075	2,399,380	12,621,412	3,930,875	15,886,744	5,557,400	26,347,146	16,752,102	8,192,175	9,111,863	104,493,172
2011 – 2015	30,725,549	31,702,360	70,075,500	-	27,815,500	37,324,849	106,688,796	83,760,510	56,102,700	74,566,087	518,761,851
2016 – 2020	-	12,610,490	69,885,001	-	41,543,150	29,610,969	78,440,885	105,545,981	120,882,862	54,737,000	513,256,338
2021 – 2025	-	-	-	-	28,792,075	76,480,031	158,337,750	135,406,811	38,915,150	74,643,306	512,575,123
2026 – 2030	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>31,258,075</u>	<u>94,998,750</u>	<u>271,226,479</u>	<u>-</u>	<u>12,581,738</u>	<u>410,065,042</u>
	50,200,776	56,309,750	202,992,688	19,746,375	175,340,889	202,460,924	568,263,012	679,700,295	256,861,587	257,075,944	2,468,952,240
Less remaining accretion/ premium	<u>(567,329)</u>	<u>-</u>	<u>(35,956,906)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(36,524,235)</u>
	<u>\$ 49,633,447</u>	<u>\$56,309,750</u>	<u>\$ 167,035,782</u>	<u>\$ 19,746,375</u>	<u>\$ 175,340,889</u>	<u>\$ 202,460,924</u>	<u>\$568,263,012</u>	<u>\$ 679,700,295</u>	<u>\$256,861,587</u>	<u>\$257,075,944</u>	<u>\$2,432,428,005</u>

(Continued)

INDIANA TRANSPORTATION FINANCE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005

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**NOTE 5 - LONG TERM DEBT ACTIVITY (Continued)**

**Highway Revenue Bonds, Series 1990A**, include term bonds maturing through June 1, 2015. In addition, the Series 1990A bonds include capital appreciation bonds that are due from June 2005 through June 2008. The bonds bear interest at rates from 7.30 to 7.40 percent. The remaining accretion on the capital appreciation bonds amounts to \$567,329, which brings the total bonds outstanding to \$34,150,000.

**Highway Revenue Bonds, Series 1992A**, mature serially through December 1, 2005, and include term bonds maturing through December 1, 2016. The bonds bear interest at a rate of 6.80 percent.

**Highway Revenue Bonds, Series 1993A**, mature serially through June 1, 2010, and include term bonds maturing through June 1, 2015. In addition, the Series 1993A bonds include capital appreciation bonds that are due from December 2015 through June 2018. The bonds bear interest at rates from 5.15 to 6.25 percent. The remaining accretion on the capital appreciation bonds amounts to \$35,956,906, which brings the total bonds outstanding to \$169,995,001.

**Highway Revenue Bonds, Series 1996B**, mature serially through December 1, 2009. The bonds bear interest at rates from 5.00 to 6.00 percent.

**Highway Revenue Bonds, Series 1998A**, mature serially through December 1, 2018 with term bonds maturing through December 1, 2022. The bonds bear interest at rates from 4.40 to 5.50 percent.

**Highway Revenue Bonds, Series 2000**, mature serially through December 1, 2021 and include term bonds maturing through December 1, 2025. The bonds bear interest at rates from 4.60 to 5.75 percent.

**Highway Revenue Bonds, Series 2003A**, mature serially through June 1, 2013 and include a term bond maturing on June 1, 2028. The bonds bear interest at rates from 2.00 to 5.25 percent.

**Highway Revenue Bonds, Series 2004A**, mature serially from June 1, 2017 through June 1, 2029, and include a term bond maturing on June 1, 2029. The bonds bear interest at rates from 4.625 to 5.25 percent.

**Highway Revenue Bonds, Series 2004B**, issued July 2004, mature serially from December 1, 2014 through December 1, 2022. The bonds bear interest at rates from 5.50 to 5.75 percent.

**Highway Revenue Bonds, Series 2004C**, issued July 2004, mature serially from December 1, 2009 through December 1, 2025. The bonds bear interest at rates from 4.25 to 5.50 percent.

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(Continued)

INDIANA TRANSPORTATION FINANCE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005

**NOTE 5 - LONG TERM DEBT ACTIVITY (Continued)**

**Business Type Activities:**

Summary information for net long-term debt classified as business type activities is as follows:

	<u>Interest Rates Range</u>	<u>Maturity Range</u>	<u>Annual Principal Payment Range</u>	<u>Amount</u>
Airport Facilities	2.50%-6.00%	2006-2018	\$ 0 - \$ 20,150,000	\$ 204,550,000
Aviation Technology Center	2.90%-5.00%	2006-2018	\$ 560,000 - \$ 920,000	\$ 9,285,000
Toll Road Project	3.90%-9.50%	2006-2016	\$13,745,000 - \$26,200,000	\$ 198,725,941

Maturities of long-term debt under business type activities are as follows:

<u>Year Ended</u>	<u>Total Principal</u>	<u>Total Interest</u>	<u>Total Net Debt Service</u>
June 30, 2006	\$ 14,305,000	\$ 20,788,753	\$ 35,093,753
June 30, 2007	19,080,000	23,107,977	42,187,977
June 30, 2008	29,285,000	21,876,008	51,161,008
June 30, 2009	30,850,000	20,116,459	50,966,459
June 30, 2010	32,320,000	18,358,526	50,678,526
June 30, 2011 - June 30, 2015	187,085,000	61,736,258	248,821,258
June 30, 2016 - June 30, 2019	<u>105,460,000</u>	<u>12,705,830</u>	<u>118,165,830</u>
	418,385,000	178,689,811	597,074,811
Remaining accretion/premium to be amortized	<u>(5,824,059)</u>	<u>-</u>	<u>(5,824,059)</u>
	<u>\$ 412,560,941</u>	<u>\$ 178,689,811</u>	<u>\$ 591,250,752</u>

(Continued)

INDIANA TRANSPORTATION FINANCE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005

**NOTE 5 - LONG TERM DEBT ACTIVITY (Continued)**

**Airport Facilities Lease Revenue Bonds**

The debt service requirements for all the Airport Facilities bonds are as follows:

<u>Year Ended</u>	<u>Total Principal</u>	<u>Total Interest</u>	<u>Total Net Debt Service</u>
June 30, 2006	\$ -	\$ 9,057,276	\$ 9,057,276
June 30, 2007	4,000,000	12,273,000	16,273,000
June 30, 2008	13,300,000	12,033,000	25,333,000
June 30, 2009	13,900,000	11,235,000	25,135,000
June 30, 2010	14,550,000	10,401,000	24,951,000
June 30, 2011 – June 30, 2015	82,175,000	38,134,500	120,309,500
June 30, 2016 – June 30, 2019	<u>76,625,000</u>	<u>11,689,500</u>	<u>88,314,500</u>
	<u>\$ 204,550,000</u>	<u>\$ 104,823,276</u>	<u>\$ 309,373,276</u>

Individual bond series are summarized as follows:

**Airport Facilities Lease Revenue Bonds, Series 2004A** - The Series 2004 bonds were issued to refund all the other outstanding Series 1992A, 1995A, and 1996A bonds issued for Airport Facilities. Series 2004A bonds mature serially through November 2018, and bear interest at 2.5 percent. The debt service requirements for the bonds are as follows:

<u>Year Ended</u>	<u>Total Principal</u>	<u>Total Interest</u>	<u>Total Net Debt Service</u>
June 30, 2006	\$ -	\$ 2,885,288	\$ 2,885,288
June 30, 2007	-	3,361,500	3,361,500
June 30, 2008	-	3,361,500	3,361,500
June 30, 2009	-	3,361,500	3,361,500
June 30, 2010	-	3,361,500	3,361,500
June 30, 2011 – June 30, 2015	24,400,000	14,970,000	39,370,000
June 30, 2016 – June 30, 2019	<u>31,625,000</u>	<u>4,825,500</u>	<u>36,450,500</u>
	<u>\$ 56,025,000</u>	<u>\$ 36,126,788</u>	<u>\$ 92,151,788</u>

(Continued)

INDIANA TRANSPORTATION FINANCE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005

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**NOTE 5 - LONG TERM DEBT ACTIVITY (Continued)**

**Airport Facilities Lease Revenue Bonds, Series 2004B** - The Series 2004B bonds mature serially through November 2018. The bonds bear interest at 3.02 percent. The debt service requirements for the bonds are as follows:

<u>Year Ended</u>	<u>Total Principal</u>	<u>Total Interest</u>	<u>Total Net Debt Service</u>
June 30, 2006	\$ -	\$ 4,110,988	\$ 4,110,988
June 30, 2007	-	4,789,500	4,789,500
June 30, 2008	-	4,789,500	4,789,500
June 30, 2009	-	4,789,500	4,789,500
June 30, 2010	-	4,789,500	4,789,500
June 30, 2011 - June 30, 2015	34,825,000	21,324,000	56,149,000
June 30, 2016 - June 30, 2019	<u>45,000,000</u>	<u>6,864,000</u>	<u>51,864,000</u>
	<u>\$ 79,825,000</u>	<u>\$ 51,456,988</u>	<u>\$ 131,281,988</u>

**Airport Facilities Lease Revenue Bonds, Series 2004C** - The Series 2004C bonds mature serially through November 2018. The bonds bear interest at 4.35 percent. The debt service requirements for the bonds are as follows:

<u>Year Ended</u>	<u>Total Principal</u>	<u>Total Interest</u>	<u>Total Net Debt Service</u>
June 30, 2006	\$ -	\$ 2,061,000	\$ 2,061,000
June 30, 2007	4,000,000	4,122,000	8,122,000
June 30, 2008	13,300,000	3,882,000	17,182,000
June 30, 2009	13,900,000	3,084,000	16,984,000
June 30, 2010	14,550,000	2,250,000	16,800,000
June 30, 2011 - June 30, 2015	22,950,000	1,840,500	24,790,500
June 30, 2016 - June 30, 2019	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 68,700,000</u>	<u>\$ 17,239,500</u>	<u>\$ 85,939,500</u>

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(Continued)



INDIANA TRANSPORTATION FINANCE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005

**NOTE 5 - LONG TERM DEBT ACTIVITY (Continued)**

**Aviation Technology Center Lease Revenue Refunding Bonds, Series 2002** - The Series 2002 bonds were issued to refund all the other outstanding Series 1992A bonds issued for the Aviation Technology Center. The bonds mature serially through March 2018, and bear interest at rates from 2.90 to 5.00 percent. The debt service requirements for the bonds are as follows:

<u>Year Ended</u>	<u>Total Principal</u>	<u>Total Interest</u>	<u>Total Net Debt Service</u>
June 30, 2006	\$ 560,000	\$ 395,495	\$ 955,495
June 30, 2007	575,000	377,614	952,614
June 30, 2008	595,000	357,233	952,233
June 30, 2009	620,000	334,728	954,728
June 30, 2010	640,000	310,032	950,032
June 30, 2011 - June 30, 2015	3,660,000	1,109,595	4,769,595
June 30, 2016 - June 30, 2018	<u>2,635,000</u>	<u>230,330</u>	<u>2,865,330</u>
	<u>\$ 9,285,000</u>	<u>\$ 3,115,027</u>	<u>\$ 12,400,027</u>

**Toll Road Bonds**

The debt service requirements for all the Toll Road Bonds are as follows:

<u>Year Ended</u>	<u>Total Principal</u>	<u>Total Interest</u>	<u>Total Net Debt Service</u>
June 30, 2006	\$ 13,745,000	\$ 11,335,982	\$ 25,080,982
June 30, 2007	14,505,000	10,457,363	24,962,363
June 30, 2008	15,390,000	9,485,775	24,875,775
June 30, 2009	16,330,000	8,546,731	24,876,731
June 30, 2010	17,130,000	7,647,494	24,777,494
June 30, 2011 - June 30, 2015	101,250,000	22,492,163	123,742,163
June 30, 2016	<u>26,200,000</u>	<u>786,000</u>	<u>26,986,000</u>
	204,550,000	70,751,508	275,301,508
Remaining accretion/premium to be amortized	<u>(5,824,059)</u>	<u>-</u>	<u>(5,824,059)</u>
	<u>\$ 198,725,941</u>	<u>\$ 70,751,508</u>	<u>\$ 269,447,449</u>

(Continued)

INDIANA TRANSPORTATION FINANCE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005

**NOTE 5 - LONG TERM DEBT ACTIVITY (Continued)**

Individual bond series are summarized in the following section:

**Toll Road Revenue Refunding Bonds, Series 1985** - The Series 1985 bonds include term bonds maturing through July 1, 2015. The bonds bear an interest rate of 6.00 percent.

<u>Year Ended</u>	<u>Total Principal</u>	<u>Total Interest</u>	<u>Total Net Debt Service</u>
June 30, 2006	\$ -	\$ 1,572,000	\$ 1,572,000
June 30, 2007	-	1,572,000	1,572,000
June 30, 2008	-	1,572,000	1,572,000
June 30, 2009	-	1,572,000	1,572,000
June 30, 2010	-	1,572,000	1,572,000
June 30, 2011 – June 30, 2015	-	7,860,000	7,860,000
June 30, 2016	<u>26,200,000</u>	<u>786,000</u>	<u>26,986,000</u>
	<u>\$ 26,200,000</u>	<u>\$ 16,506,000</u>	<u>\$ 42,706,000</u>

**Toll Road Revenue Refunding Bonds, Series 1987** - The Series 1987 bonds include term bonds maturing through July 1, 2014. The bonds bear interest at rates from 5.00 to 6.00 percent.

<u>Year Ended</u>	<u>Total Principal</u>	<u>Total Interest</u>	<u>Total Net Debt Service</u>
June 30, 2006	\$ -	\$ 2,432,650	\$ 2,432,650
June 30, 2007	-	2,432,650	2,432,650
June 30, 2008	-	2,432,650	2,432,650
June 30, 2009	-	2,432,650	2,432,650
June 30, 2010	-	2,432,650	2,432,650
June 30, 2011 – June 30, 2015	<u>44,340,000</u>	<u>9,653,025</u>	<u>53,993,025</u>
	44,340,000	21,816,275	66,156,275
Remaining accretion/premium to be amortized	<u>(1,071,293)</u>	<u>-</u>	<u>(1,071,293)</u>
	<u>\$ 43,268,707</u>	<u>\$ 21,816,275</u>	<u>\$ 65,084,982</u>

(Continued)

INDIANA TRANSPORTATION FINANCE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005

**NOTE 5 - LONG TERM DEBT ACTIVITY (Continued)**

**Taxable Toll Road Revenue Refunding Bonds, Series 1993** - The Series 1993 bonds include serial bonds maturing through July 1, 2005. The bonds bear an interest rate of 5.75 percent.

<u>Year Ended</u>	<u>Total Principal</u>	<u>Total Interest</u>	<u>Total Net Debt Service</u>
June 30, 2006	\$ 10,535,000	\$ 302,881	\$ 10,837,881
June 30, 2007	-	-	-
June 30, 2008	-	-	-
June 30, 2009	-	-	-
June 30, 2010 - June 30, 2015	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
	10,535,000	302,881	10,837,881
Remaining accretion/premium to be amortized	<u>(1,269,063)</u>	<u>-</u>	<u>(1,269,063)</u>
	<u>\$ 9,265,937</u>	<u>\$ 302,881</u>	<u>\$ 9,568,818</u>

**Toll Road Revenue Refunding Bonds, Series 1996** - The Series 1996 bonds include serial bonds maturing through July 1, 2012. The bonds bear interest at rates from 5.10 to 6.50 percent.

<u>Year Ended</u>	<u>Total Principal</u>	<u>Total Interest</u>	<u>Total Net Debt Service</u>
June 30, 2006	\$ 3,210,000	\$ 7,028,451	\$ 10,238,451
June 30, 2007	14,505,000	6,452,713	20,957,713
June 30, 2008	15,390,000	5,481,125	20,871,125
June 30, 2009	16,330,000	4,542,081	20,872,081
June 30, 2010	17,130,000	3,642,844	20,772,844
June 30, 2011 - June 30, 2012	<u>56,910,000</u>	<u>4,979,138</u>	<u>61,889,138</u>
	123,475,000	32,126,352	155,601,352
Remaining accretion/premium to be amortized	<u>(3,483,703)</u>	<u>-</u>	<u>(3,483,703)</u>
	<u>\$ 119,991,297</u>	<u>\$ 32,126,352</u>	<u>\$ 152,117,649</u>

(Continued)

INDIANA TRANSPORTATION FINANCE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005

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**NOTE 6 - ESCROW BALANCES ON BOND REFUNDINGS**

**Highway Revenue Bonds**

\$22,710,342 of the Highway Revenue Bonds, Series 2000, were deposited in an escrow fund held by JP Morgan Trust Company, National Association, and were used to purchase direct obligations of the United States of America. The initial cash deposit and investment earnings are to pay principal and interest on certain Highway Revenue Bonds, Series 1990A and 1993A, when due. As of June 30, 2005, the amount of defeased debt still outstanding, but no longer considered Long-Term Debt, was \$9,721,495.

**Toll Road Bonds**

In 1985, the Authority issued \$256,970,000 of Toll Road Revenue Refunding Bonds, Series 1985, to refund the Toll Road Bonds, 1980 Series. The refunded 1980 series bonds are not reported as a debt of the Authority since payment of principal and interest are to be from escrowed funds and investment earnings. At June 30, 2005, the amount of defeased debt still outstanding, but no longer considered Long-Term Debt, was \$107,965,000.

**Airport Facilities**

In December 2004, the Authority issued \$204,550,000 of Airport Facilities Multi-Mode Lease Revenue Refunding Bonds, 2004 Series. The refunded 1992A, 1995A, and 1996A series bonds are not reported as a debt of the Authority since payment of principal and interest are to be from escrowed funds and investment earnings. At June 30, 2005, the amount of defeased debt still outstanding, but no longer considered Long-Term Debt, was \$158,035,000.

**NOTE 7 - SERIES 2004 - ADVANCE REFUNDING OF SERIES 1992A, 1995A AND 1996A**

In December 2004, ITFA issued Airport Facilities Multi-Mode Lease Revenue and Revenue Refunding Bonds, Series 2004 in the par amount of \$204,550,000, which included \$199,425,000 of refunding debt and \$5,125,000 of new money debt. As a result of the refunding, the Authority realized an economic gain or present value savings of \$5,688,898. The \$5,125,000 new money debt is being used for the payment of construction costs for the Series 2004 projects. The refunding debt was used to refund in advance of their stated maturity dates the Series 1992A, 1995A and 1996A bonds maturing from November 2005 to November 2017. A portion of the proceeds, \$196,664,122, was deposited in an escrow fund established pursuant to an Escrow Deposit Agreement between ITFA and the escrow trustee, JP Morgan Trust Company, and were used to purchase direct obligations of the United States of America. The initial cash deposit and interest earned thereon will pay when due the principal and interest for the Series 1992A, 1995A and 1996A Bonds.

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(Continued)

INDIANA TRANSPORTATION FINANCE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005

**NOTE 8 - SHORT TERM OBLIGATIONS**

Accrued expenses are recognized for expenses incurred but not paid at June 30, 2005. Interest payable is recognized for portion of interest incurred but not paid at June 30, 2005. The following schedule shows the changes in short term obligations during the Fiscal Year:

	Balance <u>July 1</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30</u>
Accrued expenses	<u>\$ 11,735,864</u>	<u>\$ 9,760,319</u>	<u>\$ (12,114,545)</u>	<u>\$ 9,381,638</u>
Interest payable	<u>\$ 12,128,887</u>	<u>\$ 99,322,868</u>	<u>\$ (98,467,781)</u>	<u>\$ 12,983,974</u>

**NOTE 9 - OPERATING LEASE COMMITMENTS**

The Authority currently leases office space under a sublease with the Indiana Development Finance Authority on a month-to-month basis. Rent expense for the operating and month-to-month lease was approximately \$16,335 for the Fiscal Year ended June 30, 2005.

**NOTE 10 - CAPITAL ASSETS**

Capital assets used in governmental activities included the following for the Toll Bridge Fund:

	Balance <u>July 1, 2004</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>June 30, 2005</u>
Capital assets, not being depreciated:				
Infrastructure	<u>\$ 496,266</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 496,266</u>
Total capital assets, not being depreciated	<u>496,266</u>	<u>-</u>	<u>-</u>	<u>496,266</u>
Capital assets, being depreciated:				
Buildings	85,749	-	-	85,749
Furniture, machinery and equipment	<u>87,767</u>	<u>-</u>	<u>-</u>	<u>87,767</u>
Total capital assets, being depreciated	<u>173,516</u>	<u>-</u>	<u>-</u>	<u>173,516</u>
Less accumulated for:				
Buildings and improvements	49,896	1,018	-	50,914
Furniture, machinery and equipment	<u>83,378</u>	<u>2,249</u>	<u>-</u>	<u>85,627</u>
Total accumulated depreciation	<u>133,274</u>	<u>3,267</u>	<u>-</u>	<u>136,541</u>
Total capital assets being depreciated, net	<u>40,242</u>	<u>(3,267)</u>	<u>-</u>	<u>36,975</u>
Capital assets, net	<u>\$ 536,508</u>	<u>\$ (3,267)</u>	<u>\$ -</u>	<u>\$ 533,241</u>

(Continued)

INDIANA TRANSPORTATION FINANCE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005

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**NOTE 11 - PENSION PLAN**

The Authority elected to become a participant in the Public Employers' Retirement Fund (PERF) and began active participation on January 1, 1994. The Authority contributes to the PERF, an agent multiple-employer public employee retirement system, which acts as a common investment and administrative agent for state employees and employees of the various subdivisions of the State of Indiana.

All full-time state employees are eligible to participate in this defined benefit plan. State statutes (Indiana Code 5-10.2 and 5-10.3) give the Authority the right to contribute and govern most requirements of the system, including the benefits, which vest after ten years of service. Employees who have reached age 50 may receive retirement benefits with fifteen years of service. An employee may receive benefits at age 65 with ten years of service.

Employees are required to contribute 3% of compensation to an annuity savings account. Effective July 1, 1986, legislation permits a PERF employer to make the employee contributions on behalf of the employee. The Authority elected to pay its employees' 3% contribution. The employer rate of contributions was 3.8% during the Fiscal Year. These accumulated employee contributions and allocated interest income are maintained by PERF in a separate system wide fund for all members.

Upon retirement, members may elect a lump sum distribution of all or part of the savings account. Employees who leave employment before qualifying for benefits receive a refund of the savings account.

All assets of the plan are held and invested by PERF. Investments are in obligations of the U.S. Government, federal agencies, corporate bonds and equity securities.

There is no (i) pension benefit obligation information, (ii) assets available for benefits at cost information or (iii) an analysis of funding disclosed in the annual financial statements. However, PERF performed an actuarial valuation of the Authority's plan as of June 30, 2003 which is included in the Annual Report of the Indiana Public Employers' Retirement Fund for state employees and employees of the various subdivisions of the State of Indiana.

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(Continued)

INDIANA TRANSPORTATION FINANCE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005

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**NOTE 11 - PENSION PLAN (Continued)**

The Authority's contributions to PERF were in accordance with the requirements computed in the actuarial valuation performed June 30, 2001, the last date available. The following shows current year pension plan information relative to contributions:

<u>Year</u>	<u>Employer Contributions</u>	<u>Employee Contributions</u>	<u>Total Contributions</u>	<u>Annual Covered Payroll</u>	<u>Percentage of Employer Contributions to Covered Payroll</u>
2004	\$ 13,772	\$ 7,378	\$ 21,150	\$ 245,932	8.60%
2005	\$ 8,123	\$ 6,413	\$ 14,536	\$ 213,774	3.80%

Information regarding PERF may be obtained from:

Public Employees' Retirement Fund  
Harrison Bldg. Suite 700, 143 W. Market Street  
Indianapolis, IN 46204  
Phone: 1-888-526-1687  
Fax: 317-232-1614  
or  
[www.in.gov/perf](http://www.in.gov/perf)

**NOTE 12 - SUBSEQUENT EVENTS**

The Indiana Finance Authority ("Finance Authority") was reconstituted pursuant to amendments made to Indiana Code 4-4-11 et seq., the WSRF Act, and the DWSRF pursuant to Public Law 235-2005 as enacted by the Indiana General Assembly in 2005 ("PL 235"). Pursuant to PL 235, the Finance Authority became the successor to the State, acting through the State Budget Agency and the Department of Environmental Management, for the purpose of holding, administering and managing and financing the various programs of the Indiana Transportation Finance Authority, the Indiana Development Finance Authority and others financing authorities. As a result of PL 235, the responsibility for the Indiana Transportation Finance Authority has been consolidated into one entity, the Indiana Finance Authority. The Financial statements reflect the legal and entity structure as in effect prior to the effective date of PL 235.

### **PART 3 - REQUIRED SUPPLEMENTAL INFORMATION**



INDIANA TRANSPORTATION FINANCE AUTHORITY  
SCHEDULE OF ACTUAL OPERATING EXPENSES  
COMPARED TO BUDGET - CASH BASIS  
Year ended June 30, 2005

The following tables show budget and actual financial results reported under the budgetary basis of accounting.

	Budget <u>Total</u>	Actual <u>Total</u>	<u>Difference</u>
<b>Operating Account:</b>			
<b>Revenues</b>			
Lease rental incomes	\$ 343,430	\$ 570,907	\$ 227,477
Interest income	<u>500</u>	<u>1,502</u>	<u>1,002</u>
Total revenues	343,930	572,409	228,479
<b>Expenses</b>			
Personal services	176,250	143,251	(32,999)
Other authority operations	<u>167,180</u>	<u>439,321</u>	<u>272,141</u>
Total operating expenses	<u>343,430</u>	<u>582,572</u>	<u>239,142</u>
Net revenues over expenses	<u>\$ 500</u>	<u>\$ (10,163)</u>	<u>\$ (10,663)</u>
<b>Highway Revenue Bonds:</b>			
	Budget <u>Total</u>	Actual <u>Total</u>	<u>Difference</u>
<b>Revenues</b>			
Lease rental incomes	\$ 76,200,000	\$ 80,591,303	\$ 4,391,303
Capitalized interest	4,135,865	4,119,861	(16,004)
Interest income	<u>300,000</u>	<u>367,879</u>	<u>67,879</u>
Total revenues	80,635,865	85,079,043	4,443,178
<b>Debt service</b>			
Interest	49,475,120	75,102,765	25,627,645
Principal	<u>29,801,667</u>	<u>21,200,000</u>	<u>(8,601,667)</u>
Total debt service	<u>79,276,787</u>	<u>96,302,765</u>	<u>17,025,978</u>
<b>General Fund Expenses</b>			
Other authority operations	<u>830,944</u>	<u>747,300</u>	<u>(83,644)</u>
Total expenses	<u>80,107,731</u>	<u>97,050,065</u>	<u>16,942,334</u>
Net revenues over expenses	<u>\$ 528,134</u>	<u>\$ (11,971,022)</u>	<u>\$ (12,499,156)</u>

INDIANA TRANSPORTATION FINANCE AUTHORITY  
SCHEDULE OF ACTUAL OPERATING EXPENSES  
COMPARED TO BUDGET - CASH BASIS  
Year ended June 30, 2005

**Aviation Technology Center Bonds:**

	Budget <u>Total</u>	Actual <u>Total</u>	<u>Difference</u>
<b>Revenues</b>			
Lease rental incomes	\$ 1,133,830	\$ 719,479	\$ (414,351)
Interest income	<u>12,500</u>	<u>6,251</u>	<u>(6,249)</u>
Total revenues	1,146,330	725,730	(420,600)
<b>Debt service</b>			
Interest	410,765	549,479	138,714
Principal	<u>545,000</u>	<u>545,000</u>	<u>-</u>
Total debt service	<u>955,765</u>	<u>1,094,479</u>	<u>138,714</u>
<b>General Fund Expenses</b>			
Other authority operations	<u>136,680</u>	<u>125,810</u>	<u>(10,870)</u>
Total expenses	<u>1,092,445</u>	<u>1,220,289</u>	<u>127,844</u>
Net revenues over expenses	<u>\$ 53,885</u>	<u>\$ (494,559)</u>	<u>\$ (548,444)</u>

**Airport Facilities Bonds**

	Budget <u>Total</u>	Actual <u>Total</u>	<u>Difference</u>
<b>Revenues</b>			
Lease rental incomes	\$ 20,437,919	\$ 12,343,428	\$ (8,094,491)
Interest income	<u>55,000</u>	<u>98,912</u>	<u>43,912</u>
Total revenues	20,492,919	12,442,340	(8,050,579)
<b>Debt service</b>			
Interest	10,537,919	9,821,009	(716,910)
Principal	<u>9,900,000</u>	<u>9,900,000</u>	<u>-</u>
Total debt service	<u>20,437,919</u>	<u>19,721,009</u>	<u>(716,910)</u>
<b>General Fund Expenses</b>			
Other authority operations	<u>37,172</u>	<u>20,946</u>	<u>(16,226)</u>
Total expenses	<u>20,475,091</u>	<u>19,741,955</u>	<u>(733,136)</u>
Net revenues over expenses	<u>\$ 17,828</u>	<u>\$ (7,299,615)</u>	<u>\$ (7,317,443)</u>

INDIANA TRANSPORTATION FINANCE AUTHORITY  
SCHEDULE OF ACTUAL OPERATING EXPENSES  
COMPARED TO BUDGET - CASH BASIS  
Year ended June 30, 2005

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**Toll Road Bonds - Financing**

	Budget <u>Total</u>	Actual <u>Total</u>	<u>Difference</u>
<b>Revenues</b>			
Lease rental and interest income	\$ 25,359,007	\$ 25,878,411	\$ 519,404
<b>Debt service</b>			
Interest	12,128,963	12,128,963	-
Principal	<u>13,025,000</u>	<u>10,356,767</u>	<u>(2,668,233)</u>
Total debt service	<u>25,153,963</u>	<u>22,485,730</u>	<u>(2,668,233)</u>
Net revenues over expenses	<u>\$ 205,044</u>	<u>\$ 3,392,681</u>	<u>\$ 3,187,637</u>

**Note:** This budget represents the financing portion of the Toll Road Project.

**Budget Basis of Accounting**

The Authority's cash budget process accounts for certain transactions on a basis other than GAAP. The most significant differences between the budget basis and the GAAP basis are the manner in which revenues and expenses are recorded.

Under the cash budget basis, the portion of lease rental income apportioned to principal payments is recorded as revenue and the debt service expense portion related to principal is recorded as expense. In addition, the portion attributable to principal on capital lease assets and bonds payable are reflected as changes in assets in the balance sheet funds and statement of net assets for government wide reporting. In addition, there are some minor differences between the cash basis for budgetary accounting and modified accrual on the governmental funds statements and full accrual on the government wide statements.

There were no changes from the original budget to the final budget submission.

## **PART 4 - OTHER SUPPLEMENTAL INFORMATION**



Crowe Chizek and Company LLC  
Member Horwath International

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS

Members of the Indiana Transportation Finance Authority  
State of Indiana

We have audited the financial statements of the Indiana Transportation Finance Authority (the Authority), as of and for the year ended June 30, 2005 and have issued our report thereon dated August 26, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management and the Indiana State Board of Accounts, and is not intended to be and should not be used by anyone other than these specified parties.

*Crowe Chizek and Company LLC*  
Crowe Chizek and Company LLC

Indianapolis, Indiana  
August 26, 2005